MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Wyoming, memorializing Congress to provide relief for the oil industry, the farmers, the unemployed, business, and the people generally by providing an adequate tariff or tax on oil that will place the domestic oil industry on a competitive basis with imported oil as shown by the reports of the Tariff Commission; to the Committee on Ways and Means.

Also, a memorial of the Legislature of the State of Oregon, memorializing Congress to remove the Federal gasoline tax; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLOOM: A bill (H.R. 6928) renewing and extending patent no. 1175657; to the Committee on Patents.

By Mr. BRUNNER (by request): A bill (H.R. 6929) authorizing the payment of the claim of Letty Lash, Nina B. Burroughs, and Emmie Dabney; to the Committee on Claims.

By Mr. CANNON of Wisconsin: A bill (H.R. 6930) for the relief of John Doherty; to the Committee on Indian Affairs.

Also, a bill (H.R. 6931) for the relief of Bennie Morrison; to the Committee on Indian Affairs.

Also, a bill (H.R. 6932) for the relief of Anton G. Trotter; to the Committee on Military Affairs.

Also, a bill (H.R. 6933) for the relief of George Morrison; to the Committee on Indian Affairs.

Also, a bill (H.R. 6934) for the relief of Walter S. Bean; to the Committee on Military Affairs.

By Mr. CELLER: A bill (H.R. 6935) for the relief of the estate of Frederic W. Anderson; to the Committee on Claims.

By Mr. COFFIN: A bill (H.R. 6936) for the relief of J. F. Hubbard; to the Committee on Claims.

By Mr. ELLENBOGEN: A bill (H.R. 6937) granting a pension to Felix Jarnowski; to the Committee on Pensions.

By Mr. KELLY of Illinois: A bill (H.R. 6938) for the relief of Alexander Poleski; to the Committee on Military Affairs.

By Mr. MEAD: A bill (H.R. 6939) for the relief of Leonard F. Westphal; to the Committee on Naval Affairs.

By Mr. O'BRIEN: A bill (H.R. 6940) for the relief of James R. Page; to the Committee on Military Affairs.

By Mr. ROMJUE: A bill (H.R. 6941) granting an increase of pension to Eliza Mulvania; to the Committee on Invalid Pensions.

Also, a bill (H.R. 6942) granting a pension to Harvey Dodge; to the Committee on Invalid Pensions.

By Mr. SMITH of Virginia: A bill (H.R. 6943) to extend the benefits of the Employers' Liability Act of September 7, 1916, to Mary Ford Conrad; to the Committee on Claims.

Also, a bill (H.R. 6944) for the relief of J. W. Anderson; to the Committee on Claims.

Also, a bill (H.R. 6945) for the relief of John B. Grayson; to the Committee on Claims.

Also, a bill (H.R. 6946) for the relief of William Randolph Grimes; to the Committee on Military Affairs.

By Mr. WERNER: A bill (H.R. 6947) granting a pension to Alice Roddey; to the Committee on Invalid Pensions.

Also, a bill (H.R. 6948) granting a pension to Elizabeth Pouless; to the Committee on Pensions.

By Mr. WEST of Ohio: A bill (H.R. 6949) granting a pension to Ida H. Burch; to the Committee on Invalid Pensions.

By Mr. WILSON: A bill (H.R. 6950) for the relief of Joseph W. Ludlum and the estate of Oliver Keith Ludlum; to the Committee on Claims.

By Mr. MILLARD: Joint resolution (H.J.Res. 229) to confer citizenship on T. C. Plowden-Wardlaw; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1598. By Mr. BLOOM: Petition of the executive committee of the American Legion, Department of New York, urging that the present Veterans' Bureau in Buffalo be consolidated with the new Veterans' Hospital at Batavia, N.Y., and that the Batavia Hospital be opened without further delay; to the Committee on World War Veterans' Legislation.

1599. By Mr. EDMONDS: Petition of Philadelphia Bourse, requesting a stable medium of exchange; to the Committee on Banking and Currency.

1600. By Mr. HOWARD: Petition of Mrs. S. L. Anderson, 312 South Tenth Street, Norfolk, Nebr., and others, members of the Helping Hand Bible Class, First Methodist Church, urging the passage of measures that will prevent war, thus giving assurance to other nations that the people of the United States are against war and will not support another war; to the Committee on Foreign Affairs.

1601. By Mr. JOHNSON of Texas: Petition of Oxsheer Smith, of Cameron, Tex., urging repeal of tax on checks; to the Committee on Ways and Means.

1602. Also, petition of W. M. Cobb, secretary of Chamber of Commerce of Milam County, Tex., urging legislation on crop-production loans; to the Committee on Agriculture.

1603. By Mr. LAMBERTSON: Petition of J. W. Brunce and 29 other citizens of Bremen, Kans., urging the passage of the Frazier bill, and opposing the direct buying of hogs by packers, and further urging that the Secretary of Agriculture require packers to make their purchases though established open competitive markets; to the Committee on Agriculture.

1604. By Mr. LINDSAY: Petition of State of Oregon, thirty-seventh legislative assembly, second special session, urging the removal of the Federal gasoline tax, and that henceforth same be left to the exclusive control of the States; to the Committee on Ways and Means.

1605. Also, petition of the Chamber of Commerce of the State of New York, New York City, concerning resolutions and reports submitted by its committee on immigration and alien insane; to the Committee on Immigration and Naturalization.

1606. By Mr. RUDD: Memorial of the Legislature of the State of Oregon, favoring the repeal of the Federal gasoline sales tax; to the Committee on Ways and Means.

1607. Also, petition of the Chamber of Commerce of the State of New York, favoring deportation of certain alien insane and criminal aliens; to the Committee on Immigration and Naturalization.

1608. By Mr. THURSTON: Petition of citizens of Wapello County, Iowa, urging the Congress to enact a measure to reestablish the legislation heretofore enacted in favor of Spanish War veterans; to the Committee on Appropriations.

SENATE

TUESDAY, JANUARY 16, 1934

(Legislative day of Thursday, Jan. 11, 1934)

The Senate met in executive session at 12 o'clock meridian, on the expiration of the recess.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

REPORTS OF COMMITTEES

Mr. LOGAN, from the Committee on the Judiciary, reported favorably the nomination of Mac Swinford, of Kentucky, to be United States attorney, eastern district of Kentucky, to succeed Sawyer A. Smith, resigned, which was ordered to be placed on the calendar.

Mr. HARRISON, from the Committee on Finance, reported favorably the nomination of Allie J. Angle, of Florida, to be collector of customs for customs collection district no. 18, with headquarters at Tampa, Fla., in place of Sidney C.

Brown, resigned, and also the nominations of sundry collectors of customs; the nomination of S. Scott Beck, of Chestertown, Md., to be comptroller of customs in customs collection district no. 13, with headquarters at Baltimore, Md., in place of Lawrence B. Towers; the nomination of Thomas M. Lynch, of New York, to be appraiser of merchandise in customs collection district no. 10, with headquarters at New York, N.Y., in place of Frederick J. H. Kracke, resigned; the nomination of Wright Matthews, of Texas, to be Assistant to the Commissioner of Internal Revenue, to fill an existing vacancy; the nomination of J. Edwin Larson, of Florida, to be collector of internal revenue for the district of Florida, in place of Peter H. Miller, resigned, and also the nominations of sundry collectors of internal revenue, which were ordered to be placed on the calendar.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate messages from the President of the United States submitting nominations under the Department of Justice, which were referred to the Committee on the Judiciary.

(For nominations this day received, see the end of Senate proceedings.)

CALL OF THE ROLL

Mr. LEWIS. Let me suggest the absence of a quorum and request a roll call.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Cutting	King	Russell
Ashurst	Davis	La Follette	Schall
Austin	Dickinson	Lewis	Sheppard
Bachman	Dieterich	Logan	Shipstead
Bailey	Dill	Lonergan	Smith
Bankhead	Duffy	McAdoo	Steiwer
Barkley	Erickson	McCarran	Stephens
Black	Fess	McGill	Thomas, Okla.
Bone	Fletcher	McKellar	Thomas, Utah
Borah	Frazier	McNary	Thompson
Brown	George	Murphy	Townsend
Bulkley	Glass	Neely	Trammell
Bulow	Goldsborough	Norris	Tydings
Byrd	Gore	Nye	Vandenberg
Byrnes	Hale	O'Mahoney	Van Nuys
Capper	Harrison	Overton	Wagner
Caraway	Hastings	Patterson	Walcott
Carey	Hatch	Pittman	Walsh
Clark	Hatfield	Pope	Wheeler
Connally	Hayden	Reed	White
Coolidge	Hebert	Reynolds	
Costigan	Johnson	Robinson, Ark.	
Couzens	Keyes	Robinson, Ind.	

Mr. LEWIS. I am requested to announce that the Senator from New York [Mr. COPELAND] has been called away on official business. I ask that the announcement may stand for the day. I am also requested to announce the absence of the Senator from Louisiana [Mr. LONG] on official business in the State of Louisiana.

Mr. HEBERT. I desire to announce that the senior Senator from Rhode Island [Mr. METCALF], the junior Senator from New Jersey [Mr. BARBOUR], the Senator from Vermont [Mr. GIBSON], the senior Senator from New Jersey [Mr. KEAN], and the Senator from South Dakota [Mr. NORBECK] are necessarily absent from the Senate. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. NORRIS. Mr. President, there is printed in one of the morning papers what I think is a very able and logical editorial in favor of the ratification of the pending St. Lawrence Waterway Treaty. The Hearst paper which I have and in which the editorial appears is the New York American. I ask unanimous consent that the editorial may be printed in the RECORD.

There being no objection, the editorial was ordered to lie on the table and be printed in the RECORD, as follows:

[From the New York American, Jan. 16, 1934]

PRESIDENT IS RIGHT IN ASKING SENATE TO RATIFY ST. LAWRENCE WATERWAY TREATY

The St. Lawrence Waterway Treaty should be ratified.

The President's message to the Senate admirably summarized the arguments for ratification and effectively answered the main objections urged against the treaty.

It can freely be admitted that some of the opposition to the treaty is conscientious and sincere. The project involves a great expenditure. A considerable period must elapse before the beneficial effects of this great highway to the sea will be felt and perhaps a longer period before it will yield returns upon its cost.

But, for the most part, the forces seeking to defeat ratification are local and selfish.

They should not prevail against a great national work of enlightened development, clearly indicated to be so natural and inevitable that it must be regarded as a part of the destined progress of a great people.

The President makes the point that every great improvement directed to better commercial communications had been opposed by local interests which, to use his words, "conjure up imaginary fears and fail to realize that improved transportation results in increased commerce, benefiting directly or indirectly all sections."

This has certainly been true of the railroads pushing into new territory. Every project for the deepening of our rivers or the building of canals has encountered the same resistance, and even the Panama Canal—which has so amply vindicated the vision of those who early foresaw its importance, both as a contribution to our defense and security and the narrowing of the distances separating us from the friendly nations of South America—had the same opposition to overcome.

Of course, the Power Trust sees in this great project only a threat against its monopoly of the electric utilities and its undisputed control of rates to the consuming public. As a matter of instinct and habit, this swollen Trust opposes anything which threatens its long-enjoyed right to exploit the people and to hold the great consumer class in bondage and subjection to its greed.

Opposition from this source is always adriot and sometimes hard to overcome. Its full force was exerted against the Tennessee Valley development, the Boulder Dam on the Colorado River, and the Columbia River projects in the Northwest.

The Power Trust now sees in the St. Lawrence development a source of cheap power, located in proximity to a great industrial and rural market and within transmission distance of millions of domestic consumers.

Such a fact is enough for the Power Trust. All its influence, both open and covert; its command of friendly columns in the press and the eager service by its minions in public positions, can be counted against ratification.

But the people will not be deceived by arguments coming from such sources.

They will take a national viewpoint of the matter. They will see that sectional objections are not to be weighed against the interests of all the people of the country in the broad principle of reducing the cost of transportation, upon which so directly depend the revival of trade and the well-being of the workers.

The St. Lawrence waterway is a noble conception. Its appreciation requires vision—the vision to see not only its immediate advantages, which are sufficient to justify it, but its immeasurable significance to the future greatness of the country and the business of its people.

The President has the right to ask for the ratification of this treaty. He is seconded by intelligent opinion throughout the country.

Mr. SHIPSTEAD subsequently said: Mr. President, in reference to the remarks of the Senator from Nebraska [Mr. NORRIS] this morning when inserting in the RECORD the Hearst editorial dealing with the pending treaty, I would call attention to the fact that the editorial is in line with the long-established policy of the Hearst papers extending over many years in support of the promotion of inland waterways. Those who have faith in the development of the country through the development of inland waterways owe Mr. Hearst a debt of gratitude for the vision he has shown in his national policy on that subject.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY—RESERVATIONS

Mr. CLARK. Mr. President, I send to the desk sundry reservations which it is my intention to offer at the proper time to the pending St. Lawrence Treaty, and ask that they be printed for the information of the Senate and lie on the table.

I would like to say further at this time, in just a word, that it is not my intention to offer the reservation having to do with the diversion of water from Georgian Bay unless the reservation covering the diversion of water from Lake Michigan is first rejected.

Mr. VANDENBERG. Mr. President, I suggest to the Senator from Missouri that he also ask to have the proposed reservations printed in the RECORD.

Mr. CLARK. I make that request, Mr. President.

The VICE PRESIDENT. Is there objection?

There being no objection, the reservations intended to be proposed by Mr. CLARK were ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

RESERVATION

The United States ratifies this treaty with the distinct reservation that diversion of water from Georgian Bay by the Canadian Government shall never exceed 1,500 cubic feet per second without the consent of the United States.

RESERVATION

The United States ratifies this treaty with the distinct understanding that any of the provisions of subdivision (b) of article III of the treaty to the contrary notwithstanding, any funds provided by the United States for use in the St. Lawrence waterway may be used at the option of the United States Government for the employment of United States labor and United States engineers and the purchase of United States material whether the moneys are expended on construction in the United States or in Canada.

RESERVATION

The United States ratifies this treaty with the distinct understanding that both high contracting parties recognize the complete and unquestioned sovereignty of the United States over Lake Michigan as a lake lying wholly within the boundary of the United States, that the high contracting parties recognize that Lake Michigan is not a part of the boundary waters of the international boundary between the United States and Canada, and that any of the provisions of article VIII of this treaty to the contrary notwithstanding, the question of diversion of water from said lake and the amount of such diversion, as well as all other questions affecting said lake, shall be and remain under the complete and exclusive control of the United States.

THE CALENDAR

Mr. ROBINSON of Arkansas. I suggest that the Executive Calendar be called and then that the Senate proceed to the consideration of legislative business, if that course is acceptable to Senators.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the clerk will read the first nomination on the Executive Calendar.

COMMISSIONER OF LABOR STATISTICS

The Chief Clerk read the nomination of Isador Lubin, of the District of Columbia, to be Commissioner of Labor Statistics.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

VICE GOVERNOR OF THE PHILIPPINE ISLANDS

The Chief Clerk read the nomination of Joseph Ralston Hayden, of Michigan, to be Vice Governor of the Philippine Islands.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

PRODUCTION CREDIT COMMISSIONER

The Chief Clerk read the nomination of Sterling Marion Garwood, of Arkansas, to be Production Credit Commissioner.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

INSPECTOR, BUREAU OF NAVIGATION

The Chief Clerk read the nomination of Francis William J. Buchner, of Pennsylvania, to be supervising inspector, Bureau of Navigation and Steamboat Inspection Service.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

COLLECTOR OF INTERNAL REVENUE

The Chief Clerk read the nomination of Homer M. Adkins to be collector of internal revenue, district of Arkansas.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

DEPARTMENT OF JUSTICE—ASSISTANT SOLICITOR GENERAL

The Chief Clerk read the nomination of Angus D. MacLean to be Assistant Solicitor General.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

UNITED STATES DISTRICT ATTORNEYS

The Chief Clerk read sundry nominations of United States attorneys.

The VICE PRESIDENT. Without objection, the nominations are confirmed.

UNITED STATES MARSHALS

The Chief Clerk read sundry nominations of United States marshals.

The VICE PRESIDENT. Without objection, the nominations are confirmed.

THE COAST GUARD

The Chief Clerk proceeded to read sundry nominations for promotions in the Coast Guard.

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent that the nominations for promotions in the Coast Guard may be considered en bloc.

The VICE PRESIDENT. Is there objection? The Chair hears none, and, without objection, the nominations are confirmed en bloc.

The VICE PRESIDENT. That completes the calendar.

LEGISLATIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

EXPERT ASSISTANCE DURING CONSIDERATION OF DISTRICT LIQUOR BILL

Mr. KING. Mr. President, in the consideration of the so-called "alcoholic beverage control bill" for the District of Columbia, which will come up during the day, the Senator from North Carolina [Mr. REYNOLDS] will have charge of the bill. Mr. Bride, the corporation counsel of the District, has been the expert in the preparation of the bill. In fact, it is largely his bill, and I ask unanimous consent that he may be permitted, during the consideration of the bill, to sit on the floor of the Senate.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

MESSAGE FROM THE HOUSE—ENROLLED BILL AND JOINT RESOLUTION SIGNED

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the Vice President:

S. 2125. An act to continue the functions of the Reconstruction Finance Corporation, to provide additional funds for the Corporation, and for other purposes; and

H.J.Res. 228. Joint resolution to provide for certain expenses incident to the second session of the Seventy-third Congress.

EXPENDITURES OF COURT OF CUSTOMS AND PATENT APPEALS

The VICE PRESIDENT laid before the Senate a letter from the Attorney General, transmitting, pursuant to law, a statement of expenditures under appropriations for the United States Court of Customs and Patent Appeals for the fiscal year ended June 30, 1933, which, with the accompanying paper, was referred to the Committee on the Judiciary.

STATEMENT OF COSTS, ETC., INDIAN IRRIGATION SERVICE

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting, pursuant to law, two tables showing the cost and other data with respect to Indian irrigation projects as compiled to the end of the fiscal year, June 30, 1933, which, with the accompanying tables, was referred to the Committee on Indian Affairs.

SENATOR FROM LOUISIANA—NOTICE OF CONTEST

The VICE PRESIDENT laid before the Senate the petition of the Women's Committee of Louisiana, signed by Hilda Phelps Hammond, chairman, giving formal notice of contest of the election of Hon. JOHN H. OVERTON, alleging that he is not entitled to a seat in the Senate, and charging that such election was accomplished by the use of fraud, coercion, intimidation, and corruption, which was referred to the Committee on Privileges and Elections.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint memorial of the Legislature of the State of Oregon, which was referred to the Committee on Finance:

House Joint Memorial No. 1

To the honorable Senate and House of Representatives of the United States in Congress assembled:

We, your memorialists, the Legislative Assembly of the State of Oregon, respectfully represent that—

Whereas the Congress of the United States of America has imposed a tax upon all sales of gasoline; and

Whereas said tax has been increased rather than removed as petitioned by this body in previous legislative sessions; and

Whereas the State of Oregon and the other several States of the Union have already placed as much tax on said gasoline sales as the traffic will legitimately bear, added thereto the Federal tax is untimely and prohibitive and should be immediately removed; and

Whereas the taxation of gasoline sales should properly be left to the exclusive use of the States as a means of providing funds for administration, road building, and relief programs: Now, therefore, be it

Resolved by the House of Representatives of the State of Oregon (the senate jointly concurring therein), That this legislative assembly petition and memorialize the Congress of the United States of America to take immediate steps to remove the Federal gasoline-sales tax and that henceforth such taxation be left to the exclusive control of the several States; and be it further

Resolved, That the secretary of state be, and he hereby is, authorized and directed to forward one copy of this memorial to the President of the United States, to each Member of both Houses of Congress, and to the Governors of each of the respective States.

Adopted by the house December 2, 1933.

EARL W. SNELL,
Speaker of the House.

Concurred in by the senate December 7, 1933.

FRED E. KIDDLE,
President of the Senate.

STATE OF OREGON,
OFFICE OF THE SECRETARY OF STATE.

I, Hal E. Hoss, secretary of state of the State of Oregon, and custodian of the seal of said State, do hereby certify:

That I have carefully compared the annexed copy of House Joint Memorial No. 1 with the original thereof adopted by the senate and house of representatives of the second special session of the Thirty-seventh Legislative Assembly of the State of Oregon and filed in the office of the secretary of state of the State of Oregon December 9, 1933, and that the same is a full, true, and complete transcript therefrom and of the whole thereof, together with all endorsements thereon.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the State of Oregon. Done at the capitol at Salem, Oreg., this 29th day of December, A.D. 1933.

[SEAL] HAL E. HOSS,
Secretary of State.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the Board of Aldermen of the City of New York, N.Y., endorsing the so-called "Wagner-Costigan anti-lynching bill", being the bill (S. 1978) to assure to persons within the jurisdiction of every State the equal protection of the laws, and to punish the crime of lynching, which was referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by the ways and means committee of the Arkansas Education Association, favoring the passage of legislation to authorize the Reconstruction Finance Corporation, or its successor, to cash registered school-district warrants at a reasonable discount, and also the making of an appropriation of $250,000,000 for the relief of public schools during the economic emergency, which were referred to the Committee on Banking and Currency.

He also laid before the Senate petitions numerously signed by sundry citizens, being employees of the Federal Government, of the States of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, and Tennessee, praying for the passage of legislation, sponsored by the American Federation of Labor and the American Federation of Government Employees, to abolish the 15-percent pay cut affecting the compensation of Federal employees, which were referred to the Committee on Appropriations.

RESOLUTIONS OF KANSAS STATE BOARD OF AGRICULTURE

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred resolutions adopted by the Kansas State Board of Agriculture at its meeting in Topeka, Kans., January 10–12, 1934.

The resolutions are short, to the point, and, I believe, most illuminating. The State Board of Agriculture of Kansas is a cross section of the State of Kansas; it consists of representatives from every county in the State, and, as a matter of fact, it is a good cross section of the agriculture of the Middle West. So when this organization speaks its mind, what it says is worth your consideration and my consideration.

There being no objection, the resolutions were referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

Resolutions relating to national affairs, as adopted by the Kansas State Board of Agriculture at its sixty-third annual meeting, held at Topeka, January 10–12, 1934

We heartily commend the Federal Government in its broad and sustained efforts for economic parity of agriculture, and we urge all citizens to squarely back the administration's agricultural policy.

We urge the Federal administration to give its attention to the existing surplus of dairy products and the ruinous prices confronting the dairy farmers of the country, to the end that the surplus may be removed and prices restored.

Owing to unprecedented low prices for livestock in all markets, due to many unfavorable factors, including the refusal of the packers to cooperate with the Government's program of recovery, we favor and demand that all necessary authority be granted Secretary Wallace to put in operation immediately regulations that will maintain prices comparable to other farm commodities.

Whereas it appears that the producer is paying the processing tax on pork, therefore we urge that our United States Secretary of Agriculture exercise his authority to correct this situation so that the benefits of the Agricultural Adjustment Administration may not be lost to the hog producer.

Resolved, That we ask the Civil Works Administration to revise the wage scale in rural communities so as to enable farmers to compete for hired help.

Believing that direct shipment of hogs to packers is detrimental to the hog-producing interests in Kansas, therefore we urge the Senators and Congressmen from Kansas to exert every effort to have the Packer-Stockyards Act amended in such a manner as to give the Secretary of Agriculture any needed authority in compelling the packers to purchase their supply of hogs on the open market.

We believe the commission, yardage, and feed charges are too high at the public stockyards, and urge that the United States Secretary of Agriculture investigate these charges and take necessary action to reduce them to a more equitable basis.

We favor a lower rate of interest on Government farm loans and the issuance of legal-tender, non-interest-bearing currency to be used to pay the debts of the Nation, eliminating interest-bearing bonds.

Resolved, That we urge upon the local bankers' association the adoption of rules permitting the cashing of pay items to farmers without charge, as cream and produce checks, and in accordance with the principle recognized in the exemption accorded to pay items to workers and the privilege of handling pay rolls without charge.

We urge the continuance of reasonable Federal appropriations for dry-land experiment stations in our Western States, also appropriations to land-grant colleges for extension service and vocational agriculture.

We favor a continuance of the present high standard of efficiency in rural mail service, and are opposed to any curtailment thereof.

FOUR-POINT PROGRAM OF THE AMERICAN LEGION

Mr. DAVIS. Mr. President, I ask consent to have printed in the RECORD a letter, with an accompanying paper, received from Otto F. Messner, commander Department of Pennsylvania, American Legion, relating to the Legion's four-point rehabilitation legislation. As Mr. Messner points out, the proposed bill, which has been introduced by my colleague, does not repeal the economy bill, but does broaden the scope of regulations issued by the Veterans' Administration to permit a more liberal construction being placed on claims for pension and compensation.

The four-point plan furthermore clarifies many legal rulings, as, for example, the placing of a defined limit of $100 a month on totally disabled World War veterans, and accepts the 1925 disability ratings, based on occupational disabilities, caused by war service rather than the more rigid ratings of 1933. Hospitalization is made more accessible to disabled veterans, and other minor protection is provided for widows and orphans.

All in all, it is a modest request worthy of our support, and one particular feature of the four-point program is that payments of compensation and pension are not retroactive. The veterans, to my way of thinking, have "done their bit" in contributing toward balancing the Budget by denial of their compensation and pension payments in company with Federal employees and civilian workers, who have been subjected to salary reductions.

There being no objection, the letter, with the accompanying paper, was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

THE AMERICAN LEGION,
DEPARTMENT OF PENNSYLVANIA,
Philadelphia, Pa., December 26, 1933.

Hon. JAMES J. DAVIS,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: I am enclosing copy of the proposed bill covering the Legion's four-point program of rehabilitation. This act does not repeal the economy bill, but simply sets out the dictates of the Legion convention insofar as the rehabilitation program is concerned.

It is the desire of the American Legion that at this session of Congress no other act on this subject be introduced.

I would appreciate if you would introduce this act and use every possible influence to see that no other legislation on this subject be introduced.

Sincerely yours,

OTTO F. MESSENER,
Commander Department of Pennsylvania.

A bill to amend Public, No. 2, Seventy-third Congress, entitled "An act to maintain the credit of the United States Government", and Public, No. 78, Seventy-third Congress, entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes"

Be it enacted, etc., That where, except by fraud, mistake, or misrepresentation, service connection for a disease, injury, or death was on March 19, 1933, established in accordance with section 200 of the World War Veterans' Act, 1924, as amended, whether directly or by virtue of the presumptions therein provided and such service connection has been severed through the application of Public, No. 2, Seventy-third Congress or Public, No. 78, Seventy-third Congress, service connection is hereby reestablished and as to said cases the provisions of the first paragraph of section 200 of the World War Veterans' Act, 1924, as amended, insofar as they pertain to requirements for service connection, are hereby reenacted: *Provided*, That the provisions of this section shall be applicable only to those persons who were employed in the active service between April 6, 1917, and November 11, 1918.

SEC. 2. For the purposes of section 1 of this act and Public, No. 2, Seventy-third Congress, the rate of compensation for service-connected total disability for World War veterans shall be $100 per month. Where the service-connected disability is partial the monthly compensation shall be a percentage of the compensation that would be payable for total disability, and said percentage of disability shall be determined in accordance with "United States Veterans' Administration Schedule for Rating Disabilities, Second Edition, 1933": *Provided*, That the Administrator of Veterans' Affairs is hereby authorized and directed to amend the said schedule so as to increase the rates provided therein to conform as far as practicable with variant 7 of "The Schedule of Disability Ratings, United States Veterans' Bureau, 1925, and Addenda." The Administrator of Veterans' Affairs is further authorized to amend the said schedule whenever experience shall indicate the necessity therefor.

The rates of compensation for specific disabilities set forth in Veterans' Regulation No. 1 (a), part I, paragraph II, subparagraphs (k), (l), (m), (n), and (o), promulgated pursuant to the provisions of Public, No. 2, Seventy-third Congress, and any amendments thereto shall be applicable to World War veterans provided for in this act whenever the conditions enumerated therein exist.

Where a World War veteran entitled to service connection under this act or Public, No. 2, Seventy-third Congress, is shown to have had a service-connected active tuberculous disease of a compensable degree, which, in the judgment of the Administrator, has reached a condition of complete arrest, the rate of compensation shall not be less then 50 percent.

SEC. 3. That section 6 of Public, No. 2, Seventy-third Congress, as amended by Public, No. 78, Seventy-third Congress, is hereby amended by adding thereto the following proviso: "*Provided*, That any World War veteran who was employed in the active military or naval service between April 6, 1917, and November 11, 1918, who was not dishonorably discharged, suffering from disability, disease, or defect, who is in need of hospitalization or domiciliary cares, and is unable to defray the necessary expenses therefor (including transportation to and from the Veterans' Administration facility), may be furnished necessary hospitalization or domiciliary care (including transportation) in any Veterans' Administration facility, irrespective of whether the disability, disease, or defect was due to service. The statement of the applicant in such form as may be prescribed by the Administrator of Veterans' Affairs shall be accepted as sufficient evidence of inability to defray necessary expenses."

SEC. 4. Where death of a World War veteran results or has resulted from disease or injury, service connected under the provisions of this act, the surviving widow, child, or children, and/or dependent mother or father, shall be entitled to receive compensation at the rates prescribed in Veterans' Regulation No. 1 (a), part I, paragraph IV, and amendments thereto.

Where a World War veteran who was employed in the active military or naval service between April 6, 1917, and November 11, 1918, dies from disease or injury not due to service, compensation shall be payable to the surviving widow and/or child or children, in the same manner and under the conditions and limitations contained in Veterans' Regulation No. 1 (a), part III, promulgated pursuant to Public, No. 2, Seventy-third Congress, pertaining to pension to widows and children of deceased veterans of the Spanish-American War, Boxer rebellion, or Philippine insurrection.

SEC. 5. That the benefits payable to World War veterans under this act and Public, No. 2, Seventy-third Congress, shall be entitled "compensation" and not "pension."

SEC. 6. The provisions of Public, No. 2, Seventy-third Congress, and of section 20 of Public, No. 78, Seventy-third Congress, which are inconsistent with this amendatory act, are hereby repealed and modified accordingly.

SEC. 7. This act shall be effective as of the date of enactment, and no retroactive payments shall be made thereunder.

SENATORIAL CAMPAIGN EXPENDITURES, 1932 (LOUISIANA)

Mr. CONNALLY, from the Special Committee on Investigation of Presidential and Senatorial Campaign Expenditures, 1932, submitted a report, pursuant to Senate Resolution 174, Seventy-second Congress, first session, relative to the Louisiana senatorial election of 1932 (Rept. No. 191).

LIQUOR CONTROL BILL FOR THE DISTRICT—MINORITY VIEWS (REPT. NO. 189, PT. 2)

Mr. CAPPER. Mr. President, I ask unanimous consent to submit a report of the minority of the Committee on the District of Columbia on House bill 6181, the measure for the control of the liquor traffic in the District of Columbia. I think the bill is to be considered by the Senate tomorrow, and I should like to have the report printed for use at that time.

The VICE PRESIDENT. Without objection, it is so ordered.

ENROLLED BILL PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on today, January 16, 1934, that committee presented to the President of the United States the enrolled bill (S. 2125) to continue the functions of the Reconstruction Finance Corporation, to provide additional funds for the Corporation, and for other purposes.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. ASHURST (by request):

A bill (S. 2341) to amend the act of June 21, 1902, entitled "An act to regulate commutation for good conduct for United States prisoners"; to the Committee on the Judiciary.

By Mr. McKELLAR:

A bill (S. 2342) for the relief of I. T. McRee; and

A bill (S. 2343) for the relief of Herbert E. Matthews; to the Committee on Claims.

A bill (S. 2344) granting a pension to Martha E. McDaniel; to the Committee on Pensions.

By Mr. HALE:

A bill (S. 2345) correcting the naval record of John Henry Ross (with an accompanying paper); to the Committee on Naval Affairs.

A bill (S. 2346) granting a pension to William Conley (with an accompanying paper); to the Committee on Pensions.

By Mr. BORAH:

A bill (S. 2347) to amend the Inland Waterways Corporation Act, approved June 3, 1924, as amended; to the Committee on Commerce.

By Mr. BULKLEY:

A bill (S. 2348) for the relief of Paul Winters York; to the Committee on Military Affairs.

By Mr. CAREY:

A bill (S. 2349) for the relief of Cook Bros.; to the Committee on Claims.

By Mr. DAVIS:

A bill (S. 2350) authorizing loans by the Reconstruction Finance Corporation to religious and educational institutions (with an accompanying paper); to the Committee on Banking and Currency.

By Mr. McGILL:

A bill (S. 2351) granting a pension to Faye E. Gulley;

A bill (S. 2352) granting a pension to Bessie Kirkman;

A bill (S. 2353) granting a pension to James F. McGinnies; and

A bill (S. 2354) granting a pension to Frank A. Pollock; to the Committee on Pensions.

By Mr. STEPHENS (by request):

A bill (S. 2355) to prevent the manufacture, sale, or transportation of adulterated or misbranded or poisonous or deleterious foods, drugs, medicines, cosmetics, and liquors, and for regulating traffic therein, and for other purposes; to the Committee on Commerce.

A bill (S. 2356) for the relief of Samuel H. Walker; to the Committee on Claims.

By Mr. GEORGE:

A bill (S. 2357) for the relief of Arthur Bussey; to the Committee on Claims.

By Mr. WHEELER:

A bill (S. 2358) to amend section 4 of the Grain Futures Act; to the Committee on Agriculture and Forestry.

A bill (S. 2359) to provide for the disposition of unclaimed deposits in national banks; to the Committee on Banking and Currency.

A bill (S. 2360) to authorize the issuance of unrestricted patents to certain public lands; to the Committee on Public Lands and Surveys.

By Mr. LEWIS:

A bill (S. 2361) granting a pension to Mary Haskin Elms; to the Committee on Pensions.

A bill (S. 2362) for the relief of Mildred Lane; and

A bill (S. 2363) for the relief of the Cordon, of Chicago, Ill.; to the Committee on Claims.

By Mr. SHEPPARD:

A bill (S. 2364) for the relief of Thomas S. Garrett; to the Committee on Military Affairs.

By Mr. HAYDEN:

A bill (S. 2365) for the relief of W. I. Johnson; to the Committee on Public Lands and Surveys.

AMENDMENT TO INDEPENDENT OFFICES APPROPRIATION BILL—VETERANS' BENEFITS

Mr. REED submitted an amendment proposing to amend Public Law No. 2, Seventy-third Congress, entitled "An act to maintain the credit of the United States Government", and Public Law No. 78, Seventy-third Congress, entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1934, and for other purposes", intended to be proposed by him to House bill 6663, the independent offices appropriation bill for the fiscal year 1935, which was referred to the Committee on Appropriations and ordered to be printed.

AMENDMENT OF AGRICULTURAL ADJUSTMENT ACT

Mr. KING submitted an amendment intended to be proposed by him to the bill (S. 2066) to include sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act, which was referred to the Committee on Agriculture and Forestry and ordered to be printed.

AMENDMENTS TO LIQUOR CONTROL BILL FOR THE DISTRICT

Mr. JOHNSON submitted amendments intended to be proposed by him to the bill (H.R. 6181) to control the manufacture, transportation, possession, and sale of alcoholic beverages in the District of Columbia, which were ordered to lie on the table and to be printed.

NELLIE E. ROGERS

Mr. JOHNSON submitted the following resolution (S.Res. 139), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Nellie E. Rogers, daughter of Theodore F. Hodgson, late a special employee of the Senate under supervision of the Sergeant at Arms, a sum equal to 6 months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

FANNIE TAYLOR

Mr. ERICKSON submitted the following resolution (S.Res. 140), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Fannie Taylor, widow of Miles Taylor, late clerk in the office of Senator JOHN E. ERICKSON, a sum equal to 1 year's compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

FLORENCE E. UNDERWOOD

Mr. DAVIS submitted the following resolution (S.Res. 141), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Florence E. Underwood, widow of William H. Underwood, late a special employee of the Senate under supervision of the Sergeant at Arms, a sum equal to 1 year's compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

FUNERAL EXPENSES OF THE LATE SENATOR DALE

Mr. AUSTIN submitted a resolution (S.Res. 142), which was considered by unanimous consent and agreed to, as follows:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate the actual and necessary expenses incurred by the committee appointed by the Vice President in arranging for and attending the funeral of Hon. Porter H. Dale, late a Senator from the State of Vermont, upon vouchers to be approved by the Committee to Audit and Control the Contingent Expenses of the Senate.

INVESTIGATION OF AIR MAIL AND OCEAN MAIL CONTRACTS

Mr. BLACK. Mr. President, I send to the desk a resolution in the nature of an amendment to Senate Resolution No. 349 of the Seventy-second Congress, and ask that it may be referred to the Committee on Post Offices and Post Roads.

There being no objection, the resolution (S.Res. 143) was read and referred to the Committee on Post Offices and Post Roads, as follows:

Resolved, That in addition to the authority conferred upon the special committee of the Senate to investigate air mail and ocean mail contracts, created under Senate Resolution No. 349, Seventy-second Congress, second session, agreed to February 25, 1933, and supplemented by Senate Resolution No. 94, Seventy-third Congress, first session, agreed to June 10, 1933, and for carrying out the objects of such resolutions, the committee shall have authority (1) to make full investigation of the minutes, stockholdings, and financial transactions with each other or with the Government of all individuals, associations, partnerships, or corporations engaged in the business of carrying air mail or ocean mail or the manufacture of aircraft, aircraft engines, parts, or accessories thereof, and of all associations, partnerships, or corporations associated, directly or indirectly, with any of such associations, partnerships, or corporations, by stock holdings, interlocking directorates, or contracts by, between, or through intermediate corporations or individuals, or otherwise; and (2) to investigate fully all contracts and relations with each other and with Government officials or departments of any such individual, association, partnership, or corporation.

Resolved further, That the limit of expenditures under such resolutions is hereby increased by $25,000.

CIVIL WORKS PROJECTS IN SPOKANE AND SEATTLE, WASH.

Mr. BONE. Mr. President, I hold in my hand a telegram from the mayor of Spokane, Wash., also a telegram from the mayor of Seattle, Wash., in which these public officials set forth the necessity for continuing the expenditure of C.W.A. funds in those cities. I think these telegrams give a very clear portrayal of what is happening in that section of the country. I may say that I am wholly and entirely in sympathy with the idea of continuing the expenditure of those funds; and I ask unanimous consent to have the telegrams printed in the CONGRESSIONAL RECORD.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

SPOKANE, WASH., *January 13, 1934.*

Hon. HOMER T. BONE,
United States Senate Chamber,
Washington, D.C.:

Spokane has under construction Union Park Trunk Sewer Docket No. 2,708, Manito Trunk Sewer Docket No. 2,450, and Hillyard Trunk Sewer Docket No. 2,456, under supervision of the Civil Works Administration, cost of construction being approximately $750,000. Absolutely necessary that Civil Works Administration program be continued in order that 2,000 men now allocated to city of Spokane for work on these projects will not have to be returned to unemployed relief rolls. Also doubtful if these projects can be completed within time limit now fixed by Civil Works Administration. Several miles of city streets are now excavated for laying of sewer pipe. City has no funds with which to complete these sewers without Civil Works Administration support. Imperative, therefore, that Civil Works Administration continue to furnish funds for completion of these projects and to prevent men being returned to relief rolls.

LEONARD FUNK,
Mayor of City of Spokane.

SEATTLE, WASH., *January 14, 1934.*

Senator HOMER T. BONE,
Washington, D.C.:

Report that Congress might not provide funds for continuation of civil works causing great uneasiness here. If the Civil Works Administration work is stopped or curtailed, it will mean a real disaster to this city. Whatever business revival has been experienced here has been due entirely to Civil Works Administration. There is no indication that I can see of any other substantial improvement. All work being done here is absolutely necessary. If any great number of these people were discharged, the police situation would become impossible of handling. I believe that it would cause a financial panic in this community. On all sides the opinion is that the Civil Works Administration is the best thing that the Government has yet done to bring about recovery. Speaking for citizens of all classes, I am satisfied that nearly any burden of taxation would be regarded as tolerable by the citizens if they knew it was going to continue the Civil Works Administration. I know of nobody that does not favor present continuation of it and a continuation for several years to come. Private industry cannot absorb these workers. As mayor, I am familiar with the local conditions, and I urge upon you not only to do your best to prevent any stoppage or curtailment, but, if possible, to expand the program. I personally believe it should be doubled. I am of the opinion, and wherever I have made the statement it has been commended, namely, that if industry cannot furnish a job that the Government must.

JOHN F. DORE, *Mayor of Seattle.*

THE CAUSE OF PEACE—ADDRESS BY J. FRED ESSARY

Mr. TYDINGS. Mr. President, I present an address delivered by J. Fred Essary, Washington correspondent of the Baltimore Sun, over the N.B.C. network on January 15, 1934, on a program sponsored by the Women's International League for Peace and Freedom, on the fifth anniversary of the ratification by the Senate of the Kellogg Pact, which I ask may be printed in the RECORD and appropriately referred.

There being no objection, the address was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

ADDRESS OF J. FRED ESSARY, WASHINGTON CORRESPONDENT OF THE BALTIMORE SUN, OVER N.B.C., JANUARY 15, 1934—PROGRAM SPONSORED BY WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM ON THE FIFTH ANNIVERSARY OF THE RATIFICATION BY THE UNITED STATES SENATE OF THE KELLOGG PACT

If there is any cause arising from human relationship, more profoundly, more vitally important to more people than is the cause of peace, I ask, What in Heaven's name can it be? Of course, there is none, and it would be insane to argue the contrary.

And to my mind it is equally insane to argue that the surest way to peace is to prepare for war. And yet I have heard that argument from high quarters and from low throughout the whole of my lifetime. I have heard it advanced in behalf of every military or naval appropriation made by my own Government, I have heard it advanced by the champions of standing armies and expanding navies wherever there are armies or navies. The reasoning is always the same. Maintain a navy that no power dare challenge, we are told, and no power will challenge it! Maintain an army that will overwhelm and crush any possible aggressor, we are further told, and there will be no aggressor!

The history of the world testifies to the fallacy of such statements. The truth is, one need go no further than the history of the past 20 years to refute them. England's supreme Navy did not keep her out of war. And, tragically enough, our own vast resources in man power and money power and material did not keep us out of war. The ability of a nation to exercise power in terms of soldiers and ships and shot and shell and murderous gas has never and never will afford that nation a guaranty of peace.

Nor is peace to be assured by alliances and balances of power among nations. We had them in 1914. We have them now. They failed 20 years ago, and they will fail again to render war less likely. What they did in actuality was to drag unwilling peoples into a conflict from which some of them shrank as from a deadly pestilence.

And it was because of that failure that I embraced with enthusiasm the Woodrow Wilson proposal for a league of nations. For that same reason I have continued to applaud every alternative scheme of arbitration, conciliation, disarmament, what not, that may have occurred to the mind of man that might lessen the possibility of war. The League, too, might fail, I readily agreed. The other devices might fail, too, but surely they could not fail more wretchedly than has the old system of armed preparedness.

We are celebrating today the anniversary of the Kellogg-Briand Pact. It is another piece of practical idealism, as was the League of Nations; another effort to accomplish by statecraft what militarism has been unable to accomplish. I would not have anyone believe that I believe or that its devoted sponsors believe this measure to be an absolute cure for war. It is nothing of the sort. But it is recognition of the fact that war as an instrument of national policy is an indefensible thing, and to that extent it must have some moral value and must place some moral restraint upon a war-inclined nation.

The further step in the same direction taken by President Roosevelt only a few months ago also has its value. He sought to implement the Kellogg Pact by a further agreement on the part of the signers that they will not permit an armed force to cross the frontier of a neighboring state.

These two proposals, if entered into by all the nations of the world, in good faith, and if carried out in equal good faith, would limit war throughout the world in which we live to civil conflicts. But Senator KING has observed it is something of an anachronism that the Government which originated both movements at this very moment should be engaged in a sweeping increase in its naval armament. We are not only claiming but are giving effect to our right to build up our fleet to the utmost limit of our treaty tonnage.

For what purpose, one may ask? Defense, comes the inevitable answer. Defense against whom, against what? To that question we get no reply that any rational human being can understand. All of which leaves us wondering how much sham there is in statesmenship that proposes Kellogg pacts with one hand and signs gigantic armament appropriation bills with the other.

Now, one more observation, which may seem to some of you, my hearers, to be beside the point, and I am through. It is that war is a hideous thing. It has always been so, its glorifiers notwithstanding. But more hideous than war is war's backwash—the tens of thousands of pitiful victims, the hopelessly maimed, the blind, the bed-ridden invalids, the widows, the orphans—yes; the graves. Not all of us have carried arms, but all of us have seen the human wreckage which arms have wrought.

For the luxury of war we pay an appalling price. It is as inescapable as the flight of time, or the certainty of death. We like to think that all wars in which we ourselves have engaged are worth it, but in our hearts we know that they were not.

TAX-EXEMPT SECURITIES—A STUDY BY SENATOR LONERGAN

Mr. ROBINSON of Arkansas. Mr. President, I desire to ask that there be printed in the RECORD a study of the subject of tax-exempt securities made by the Senator from Connecticut [Mr. LONERGAN]. I have examined the study sufficiently to know that it is both important and valuable. I, therefore, ask that it be referred to the Committee on Finance and printed in the RECORD.

There being no objection, the matter was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR AUGUSTINE LONERGAN (DEMOCRAT), OF CONNECTICUT, IN SUPPORT OF HIS PROPOSALS TO TAX INCOME OF FUTURE ISSUES OF SECURITIES NOW CLASSED AS EXEMPT

The proposal to impose a tax upon Federal securities and also upon securities of the States and subdivisions thereof, which are now exempt from taxation under the income tax laws of the United States and of the States, is by no means new. For many years, leading tax experts have been studying this problem and at various times have made recommendations that a tax in some form should be levied in order to equitably distribute the tax burden among all classes.

This reform in taxation, however, like many others of vital importance to the Nation, found numerous obstacles to delay progress. Like other reforms which are now being accomplished by the administration, this proposal has had to await the gradual development of a public opinion which welcomed and demanded definite action. I believe that that time has now arrived and that the American people not only favor such reform but actually insist on the same prompt action in accomplishing it as has characterized the Government's activity during the past several months in attacking other important and vital problems.

The present existing feeling among the American people regarding the necessity for a tax on the income from securities now exempt was not born in a day in an attitude of "soaking the rich" but is the result of a gradual development of public con-

sciousness and education on this subject, during the past decade in particular.

On September 23, 1921, former Secretary of the Treasury Andrew W. Mellon in a report submitted to the Committee on Ways and Means of the House of Representatives in connection with hearings on House Joint Resolutions 102, 211, 231, and 233 of the Sixty-seventh Congress, first session, went on record in favor of restricting further issues of tax-exempt securities. This report, which states that "the ever-increasing volume of tax-exempt securities (issued for the most part by States and municipalities) represent a grave economic evil, not only by reason of the loss of revenue which it entails in the Federal Government, but also of its tendency to encourage the growth of public indebtedness and to divert capital from productive enterprises", is set forth in full, as follows:

DEPARTMENT OF THE TREASURY,
Washington, September 23, 1921.

MY DEAR MR. CHAIRMAN: I received your letter of August 27, 1921, enclosing a copy of House Joint Resolution 102, which proposes an amendment to the Constitution of the United States restricting the issue of tax-exempt securities by the Federal Government and States and municipalities, and have noted your request for my opinion with respect to this resolution and the subject in general.

As you know, in my letter of April 30, 1921, to the Chairman of the Commitee on Ways and Means, a copy of which I inclose, I recommended to Congress that it consider the advisability of taking action by statute, or constitutional amendment where necessary, to restrict further issues of tax-exempt securities. The ever-increasing volume of tax-exempt securities (issued for the most part by States and municipalities) represents a grave economic evil, not only by reason of the loss of revenue which it entails to the Federal Government, but also because of its tendency to encourage the growth of public indebtedness and to divert capital from productive enterprises. The issue of tax-exempt securities has a direct tendency to make the graduated Federal surtaxes ineffective and nonproductive because it enables taxpayers subject to surtaxes to reduce the amount of their taxable income by investing it in such securities, and at the same time the result is that a very large class of capital investments escape their just share of taxation.

Of course, the voluntary withdrawal of the tax exemptions from securities to be issued by or under the authority of the Federal Government would require no constitutional amendment, but to do this as to Federal securities alone would unjustly discriminate against the National Government and leave a clear field for the State and local governments. In general, moreover, the policy of the Federal Government has been not to issue its own obligations with exemptions from Federal surtaxes and excess-profits taxes, and the great bulk of the Liberty loans and other war debts have no such exemptions. As to State and municipal securities, I assume it is clear, since the decision in *Evans* v. *Gore* (253 U.S. 245), that the sixteenth amendment does not permit the Federal Government to tax income derived from State or municipal securities, and that the only effective means of restricting the further issue of tax-exempt securities by State or municipal governments would be by constitutional amendment. Such an amendment would doubtless meet with considerable opposition on the part of the States, and for that reason, as well as from considerations of equality and fairness, it is the better view, I should say, that any restrictions on the further issue of tax-exempt securities should be mutual and should apply as well to securities issued by the Federal Government as to State and municipal securities. It is important, however, not to lose sight of the real basis for the existing constitutional principle under which securities issued by the State and municipal governments are now held free from taxation by the Federal Government, and Federal securities from taxation by State and local authorities, and at the same time to provide proper safeguards against any possible discrimination in taxation by the Federal Government against State and municipal securities or by the State governments against Federal securities. It is also important, in order to avoid any question of bad faith, that the amendment should not apply to outstanding issues which now enjoy tax exemptions. For these reasons I think that some modifications of House Joint Resolution 102 are desirable.

In the first place, I think that the resolution should be so modified as to make it perfectly clear that the right of the Federal Government to tax the income derived from State and municipal securities and of any State to tax the income derived from Federal securities shall exist only to the same extent that each government taxes the income derived from its own securities. This would prevent any discrimination by either government against the securities issued by the other. In the second place, it is noted that while the first part of the resolution subjecting the income from securities issued by State and municipal governments to taxation by the United States applies only to securities issued after the ratification of the amendment, the proviso subjecting the income from securities issued by the United States, its possessions, and Territories to taxation by the States is not similarly limited. Such a limitation is, of course, necessary. Furthermore, the language of the proviso subjecting income from issues of Federal securities to taxation by the several States is not expressly limited to the income derived from securities held by residents of the State and should be modified so as to avoid any possible interpretation which would allow a State to tax the income derived from Federal securities not held within the State.

I might also suggest that the language of the amendment be made broad enough to include all securities issued by or under the authority of the Federal Government or of any State. This would apply, for example, to securities issued by Federal land banks and other so-called "instrumentalities" of the Federal and State Governments, which might not be considered as coming within the terms of the resolution as it now stands.

In this connection I am taking the liberty of enclosing a draft of a proposed amendment to the Constitution along the lines of House Joint Resolution 102, modified as I have suggested.

Very truly yours,

A. W. MELLON, *Secretary.*

To Hon. LOUIS T. MCFADDEN,
Chairman Committee on Banking and Currency,
House of Representatives.

MAINTAINS FAVORABLE POSITION

Former Secretary Mellon was also on record in various other parts of this same report on the hearings before the Ways and Means Committee on this same legislation.

In a previous report submitted on April 30, 1921, and reported in the hearings, he suggested for the consideration of Congress that it might also be advisable to take action by statute, or by constitutional amendment, where necessary, to restrict further issues of tax-exempt securities. Quoting from this report, Mr. Mellon said:

"It is now the policy of the Federal Government not to issue its own obligations with exemptions from Federal surtaxes and profits taxes, but States and municipalities are issuing fully tax-exempt securities in great volume. It is estimated that there are outstanding perhaps $10,000,000,000 of fully tax-exempt securities. The existence of this mass of exempt securities constitutes an economic evil of the first magnitude. The continued issue of tax-exempt securities encourages the growth of public indebtedness and tends to divert capital from productive enterprise. Even though the exemptions of outstanding securities cannot be disturbed, it is important that future issues be controlled or prohibited by mutual consent of the State and Federal Governments."

Here is a man of great wealth and for many years the head of the Treasury, who would ordinarily be regarded as among the first to go on record against such a policy of taxation if it were true that vast discriminations would be imposed upon wealthy holders of such exempt securities, coming out in favor of such a plan, if reasonably and logically applied, at a time when it was known quite generally that such legislation had little chance of enactment. This same attitude of Mr. Mellon appears in subsequent reports of the Treasury on the tax-exempt question, which will be referred to later, and which will indicate a fairly consistent view on this subject up to the present time.

COOLIDGE ENDORSES PLAN

On December 6, 1923, the late President Calvin Coolidge, in his annual message to Congress (68th Cong., 1st sess. CONGRESSIONAL RECORD, p. 97, pt. 1, vol. 65), said:

"Another reform which is urgent in our fiscal system is the abolition of the right to issue tax-exempt securities. The existing system not only permits a large amount of the wealth of the Nation to escape its just burden but acts as a continual stimulant to municipal extravagance. This should be prohibited by constitutional amendment. All the wealth of the Nation ought to contribute its fair share to the expenses of the Nation."

At about the same time the Treasury Department was again on record on the subject in the following report to Congress:

"One of the most difficult problems the income tax presents is the tax-exempt security question. There are two solutions: First, eliminate the tax-exemption privilege; second, adjust the income-tax rates so that the value of tax exemption as a means of tax avoidance shall be lessened. The first solution requires a constitutional amendment, and its adoption has met with serious political opposition. Also, in the last session of the Congress there was defeated a recommendation of the Secretary of the Treasury that a taxpayer should not be permitted to take as a deduction, in figuring his net income, interest paid by him except to the extent it exceeded the tax-exempt interest received by him and which he did not include in his gross income. *While the Treasury renews the recommendation made heretofore that a constitutional amendment to reach tax exemption be proposed by the Congress,* it feels that the recognition of the necessity for this action by Congress may be delayed and that an immediate remedy should be adopted.

"Fully tax-exempt securities outstanding in the hands of the public now amount to $13,284,000,000 and are increasing at the rate of about $1,000,000,000 a year. The value of a tax-exempt security to a man of large income lies wholly in the fact that the tax-exemption feature gives him more free income than another equally safe investment, part of the return from which the Government takes. Under the present law, if a man has an income of $100,000 and is asked to invest money in some constructive project, the new project must return to him *$1.75* for every $1 he would receive from investing the same money in tax-exempt securities. To express this another way, it takes about an 8-percent return on a taxable investment to be equivalent to a 4½-percent return on one that is tax exempt. With higher incomes, the disparity is even greater. If the Treasury's recommendation for a maximum aggregate tax of 31 percent should be adopted, the relative values would be $1.44 to $1, or 6½ percent taxable as compared with 4½ percent exempt. The difference between an investment in ordinary productive business returning 8 percent, the requirement under the present law, and 6½ percent,

the requirement under the Treasury rates, to equal a 4½-percent tax-exempt is the difference between a sound investment and a speculative investment. One will be accepted, the other not. If the income-tax rates are reduced to a reasonable figure, the lure of tax-exempt securities to the wealthy becomes less appealing, and many will put their money into business or new projects and be content with less return because it will give them as much free income as would a tax-exempt security. From such investments the Government gets revenue, from tax-exempt securities it gets none. By such investments capital is provided for industry at lower rates, and the appalling increase of State and municipal indebtedness, with its inevitable taxation of the people to pay this indebtedness, is not encouraged.

"The adoption of the solution of the tax-exempt evil by taking from it the wholly artificial attraction of high income taxes on other investments is within the immediate power of the Congress. This would prove advantageous to constructive business and to all who use capital, would remove the incentive for the most notorious avoidance by the wealthy of income taxes, and would assist in accomplishing the purpose of taxation; that is, to raise revenue. A continuation of the high artificial value to this legal means of escape must end or the graduated income tax will cease to be productive. (Italics supplied.)

At about the same time (Nov. 2, 1923), former President Herbert Hoover, who at the time was Secretary of Commerce, filed a report with Hon. Reed Smoot, in the United States Senate, referring to Secretary Mellon's report that $11,000,000,000 of State and municipal securities were in circulation free of income tax and stated: "It is generally believed that these securities are sought after by persons subject to the higher percentage of income tax. Therefore, the very persons best able to bear the burden of taxation are escaping it."

The full text of this report of Mr. Hoover's views at the time as found in a report of the Senate Finance Committee, Sixty-eighth Congress, first session, under date of March 26, 1924, on the question of tax-exempt securities is set forth as follows:

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, November 2, 1923.

Hon. REED SMOOT,
United States Senate.

MY DEAR MR. SENATOR: In accordance with your request, I enclose herewith a memorandum opinion by Judge Stephen B. Davis on the power of Congress to impose a special or additional estate tax upon the succession to the portion of an estate which consists of Federal, State, or municipal bonds, the income from which is exempt from Federal income tax. You will see that Judge Davis believes Congress has constitutional power to levy such a tax, subject, perhaps, to the condition that the differentiation in rates of levy be not arbitrary but have some reasonable basis. By such a tax rates can be so adjusted as to effect, through the difference in the amounts which would be exacted from the corpus of the estate, an ultimate approximate equalization between the burdens currently borne by incomes subject to surtaxes and incomes which are not so subject because of investment in securities of a legally privileged nature. Such an ultimate equalization would tend to do away with a great amount of the present successful avoidance of the burdens of Federal taxation.

This plan might, on consideration, develop weaknesses that are not now apparent, but I would like to make some comment on this whole question of tax-exempt securities from the point of view of industry and commerce in support of Secretary Mellon's recommendations.

Secretary Mellon has stated that eleven billions of State and municipal securities are in circulation free of income tax. It is generally believed that these securities are sought after by persons subject to the higher percentages of income tax. Therefore, the very persons best able to bear the burden of taxation are escaping it.

Nor is direct tax exemption of these securities the whole story, for they furnish a wide basis for further avoidance of taxation. For instance, a man may borrow 70 percent on his house (if his other credit is good); he may invest this borrowed sum in tax-exempt securities; under our present income-tax laws he may deduct the interest which he pays on his mortgage from his income and does not have to account for the sum he receives on tax-exempt securities. There appears to have definitely grown up not only this form of avoidance but other forms based on various kinds of interlocking transactions which carry avoidance a great deal further than the actual sum otherwise collectible on tax-exempt securities.

This question has many bearings on productive industry and commerce and many economic as well as social implications.

1. It must be obvious that we are thus thrusting the burden of income taxes upon productive industry and personal effort.

2. Most other countries in the world give special relief in income taxes to business and professional incomes as distinguished from rent and interest as being necessary to maintain the initiative and enterprise of the people. We not only do not give this relief but even a much larger burden upon earned income from business and professions and to offer larger opportunity for avoidance of taxes on so-called "property incomes."

3. Aside from the uneconomic thrust of taxes onto productive activities, there is an inherent injustice in this distribution of the burden from the fact that holders of professional and business incomes must set aside a portion of these incomes to provide for their dependents, whereas persons possessed of rent or interest incomes have by the nature of things already made such provision. Other countries allow a large deduction of amounts paid for insurance premiums. We allow none.

4. Under the tax-exempt provisions States and municipalities are able to borrow money with even lower margins of interest over manufacture and business. The net effect is to increase interest rates in industry and commerce, and this misdirection in the flow of capital tends to increase the prices of every commodity.

5. The collection of estate taxes upon exempt securities does not present the difficulties in payment presented by such taxes upon going business, for these securities are readily marketable. Such a tax increase will also result in a better distribution of estates representing unduly large accumulation.

6. Even though the States be disposed to accept a constitutional amendment on tax-exempt securities, it will take time, and in the meantime further securities will be piling up.

7. What additional tax should be placed upon the portion of the estate composed of exempt securities in order to compensate for the loss of income tax upon them needs careful study. It will probably have to be an empirical figure in any event.

It is an extraordinary thing for a commercial nation like ours to have developed a form of taxation which puts a premium on nonproductivity and a blight on productivity itself. (Italics supplied.)

Yours faithfully,

HERBERT HOOVER.

RECENT TREASURY RECOMMENDATIONS

We find the Secretary of the Treasury again on record on tax-exempt securities in his annual report to the Sixty-ninth Congress, first session, for the fiscal year ending June 30, 1925, with the following statement:

"Looking at the proposition logically, there is no reason for the existence of tax-exempt securities. There ought to be no refuge to which the wealthy man can go and avoid income taxes at times when the Federal Government needs the money. A constitutional amendment to make these securities taxable should be passed. The Treasury has consistently been the advocate of such reform. The delay, however, has been so long and the amount of securities now outstanding, which would not be affected by the amendment, has become so great—it is over $14,000,000,000 now—that the practical way of reaching the present situation seems to be by taking away the artificial advantage of these securities through the reduction of the surtax to a reasonable figure. If you place your surtax at a point where productive business and investments can compete with tax-exempt securities in net return to a wealthy investor, you have solved the present difficulty. It is interesting to note that the First Liberty 3½'s, which alone of the Liberty bonds are wholly tax-exempt, have gone below par for the first time since June 1922, reflecting the view that the expected reduction of surtaxes to a normal figure justifies the wealthy owners of these bonds in selling them to put their money into productive investment. We already are getting results on the mere belief in ultimate tax reform."

Again in 1928, in the annual report of the Treasury for the fiscal year ending June 30, 1928, Secretary Mellon reported as follows:

"I recommend that the Congress consider an amendment of the Second Liberty Loan Act, as amended, authorizing the Secretary of the Treasury to exempt further issues of securities from the surtax as well as the normal tax.

"The enactment of such an amendment would not interfere with the subsequent adoption of a constitutional amendment permitting the Federal and the State Governments to tax so-called 'tax-exempt securities', should the Congress and the States deem such an amendment desirable. But pending the adoption of such an amendment there is no reason why the Treasury Department in marketing securities should be at a disadvantage as compared with States and their subdivisions, or why there should be discrimination against individual investors who desire to acquire United States Government securities.

"If States and their political subdivisions continue to issue securities which are wholly tax exempt at the rate of a billion dollars a year, the Federal Government should not be limited to the issuance of securities exempt only from the normal income tax. Although the United States securities for individual investors, therefore, do not compare favorably with the yield on State and municipal securities which are issued free from all taxation."

TREASURY POSITION IN 1930

A later and more vigorous recommendation was made by Treasury Secretary Mellon in his annual report for the fiscal year ending June 30, 1930, where he says:

"In this connection I renew the recommendation contained in my annual report for the fiscal year ended June 30, 1928, that the Congress consider a further amendment to the Second Liberty Bond Act, as amended, authorizing the Secretary of the Treasury to exempt further issues of securities from the surtax as well as the normal tax. In the act of June 17, 1929, Congress modified the Second Liberty Bond Act, as amended, by providing that all certificates of indebtedness and Treasury bills issued thereafter should be exempt both as to principal and interest from all taxes, except estate and inheritance taxes. I renew my recommendation that this exemption be extended to bonds. Special legislation is not required in the case of notes, since the Secretary of the Treasury is authorized by existing law to make this exemption applicable to notes.

"Some time ago the Treasury Department earnestly recommended the adoption of a constitutional amendment permitting the Federal and State Governments, respectively, to tax securi-

ties to be issued in the future, which under present constitutional provision are not taxable. There appears, however, to be no immediate prospect of such an amendment being adopted. Pending its adoption, there is no reason why the Treasury Department, in marketing securities, should be at a disadvantage as compared with States and their subdivisions, or why there should be discrimination against individual investors who desire to acquire United States Government securities. It is idle to argue that the issuance of United States tax-exempt securities would furnish convenient means of income-tax avoidance. *As long as the States and their political subdivisions continue to issue securities which are wholly tax exempt at the rate of $1,000,000,000 a year there is at all times an ample supply of gilt-edge securities available to those desiring to escape income-tax payment through investment in tax-exempt securities.* Limiting the Federal Government to the issuance of securities exempt only from the normal income tax does not result in increased income-tax collections but simply in a higher interest cost to the Government.

"Insofar as individual investors are concerned, the present situation gives rise to discrimination as between them and corporations. Corporations being only subject to the normal tax, United States securities in their hands are completely tax exempt, whereas practically all such securities in the hands of individuals are subject to surtaxes. The yield on United States securities for many individual investors does not, therefore, compare favorably with the yield on State and municipal securities, which are usually wholly free from taxation." (Italics supplied.)

A VIEW ON CONGRESS

From the CONGRESSIONAL RECORD in 1922, and at other times, we also find excerpts from leading arguments in favor of eliminating tax-exempt securities:

"There is no other country that issues tax-exempt bonds in the same way that we do." (E. D. Chassell, Senate, hearings, p. 78; the Reference Shelf, vol. III, no. 1, p. 112.)

"The owners of great estates are gradually transferring all of their property into tax-exempt securities. It is easy to find men with incomes of over $100,000 who pay not a single cent to the National Treasury, nor to the State, county, or township, while farmers, business men, and others are suffering under the burdensome and oppressive taxes that necessarily prevail today." (William R. Green, CONGRESSIONAL RECORD, vol. 64, p. 709, Dec. 19, 1922.)

"Tax exemption is a very grave peril, for it undermines the very basis of public revenue and it is a social evil of the first magnitude. It places the greater part of the tax burden upon earned incomes and gives more or less immunity to earned incomes. It diverts capital from productive enterprises and housing into wasteful or deferable governmental enterprises. The present is an emergency of the utmost importance, demanding imperatively a constitutional amendment of the character proposed." (R. C. Leffingwell, House hearings, p. 137; the Reference Shelf, vol. III, no. 1, p. 115.)

"When a man so wealthy, so experienced, and so conservative as Secretary of the Treasury Mellon declares the combination of tax investments and high surtaxes is drying up the sources of industrial capital, placing a premium on Government extravagance, and forcing the less able part of the population to pay double taxes it is time to sit up and pay attention. The situation develops in two ways. Tax-exempt securities offer the wealthy man a field of investment from which he obtains full personal use of his income. At the same time investment in commercial securities is penalized by high income taxes. Two adjacent advertisements in yesterday's financial pages provide an illustration. One offers South Dakota school bonds to pay 5 percent, 'exempt from all Federal income taxes.' Another offers 7-percent bonds to finance a paper mill. If a man with an income of $100,000 or more invests in the paper mill half his 7 percent goes to the Government, leaving him a profit of 3½ percent. Out of the $1,000,000 invested in the mill he would net $35,000. Out of the $1,000,000 invested in school bonds at 5 percent he would net $50,000. Naturally he buys the school bonds. Not only do they pay him more but they face none of the risks of business. That makes it difficult for all commercial enterprises to obtain capital. A Texas country-school district has better credit than the United States Steel Corporation. And at the same time those able to pay the most taxes are tending more and more to escape taxation. Thus the Government's revenue is falling off while local and State governmental debts are increasing and raising taxes for all who pay them." (Chicago Tribune editorial, Feb. 15, 1923.)

THE PRESENT SITUATION

The logic and wisdom of levying a tax on exempt securities has continued with such force down to the present time that the present session of Congress is faced with the necessity of taking some definite affirmative action. There is no escape from this conclusion. The question now is simply one of which course we shall adopt.

In approaching the procedural difficulties I have done so with a full realization and understanding of the present economic situation, as well as numerous decisions of the United States Supreme Court and our Federal courts relating to the constitutionality of imposing a tax on income from certain types of exempt securities. These facts, which will hereafter be discussed in some detail, have led me to the conclusion that Congress will adopt the following course: (1) Enact legislation to amend the revenue laws so that future issues of Federal securities can be taxed; or (2) propose a constitutional amendment granting power to the Federal Government and to the States to tax future issues of all States or subdivisions thereof.

The first step would be easier because it would not require a constitutional amendment, but the benefits would be relatively small, being derived only from future issues of Federal securities and in no way affecting the income from State and local issues. On the other hand, there is some strong opinion that a constitutional amendment in no event is absolutely necessary, and that liberal interpretation by the courts would enable the Government to levy a tax on all types of Federal and local securities as an excise within the prevailing constitutional provisions. Decisions supporting this view will be referred to later.

With these problems in mind I have introduced two bills, the first of which, S. 1892 (73d Cong., 1st sess.), makes incomes from United States securities subject to the income-tax laws of the United States. This measure is set forth as follows:

"*Be it enacted, etc.,* That notwithstanding any other provisions of law, all income derived from securities issued after the date of enactment of this act, by or under the authority of the United States, shall be included in gross income within the meaning of section 22 (a) of the Revenue Act of 1932 for the purposes of taxation under title I of such act, and shall also be subject to taxation under all income-tax laws of the United States hereafter enacted."

The second measure is Senate Joint Resolution No. 61, which proposes an amendment to the Constitution giving power to the Federal Government and to the States to levy and collect taxes on income derived by States or subdivisions thereof. This resolution is set out as follows:

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein),* That the following article is proposed as an amendment to the Constitution, which shall be valid to all intents and purposes as a part of the Constitution when ratified by conventions in three fourths of the several States, which conventions shall be composed in each State of delegates elected by a majority vote of the electors of the State voting at such election:

"ARTICLE —

"SECTION 1. The United States shall have power to lay and collect taxes on income derived from securities issued after the ratification of this article by or under the authority of any State, but without discrimination against income derived from such securities and in favor of income derived from securities issued after the ratification of this article by or under the authority of the United States or any other State.

"SEC. 2. Each State shall have power to lay and collect taxes on income derived by its residents from securities issued after the ratification of this article by or under the authority of the United States, but without discrimination against income derived from such securities and in favor of income derived from securities issued after the ratification of this article by or under the authority of each State."

If a constitutional amendment is adopted, this, of course, will be more complete in its result and will leave no apparent questions for the courts to decide. Moreover, it will give the States an opportunity to pass upon this vital question, so that we can determine exactly where they stand. In my opinion the States would vote for a constitutional amendment giving the Federal Government and the States the power to tax Government securities.

It is roughly estimated that approximately $35,000,000,000 of all classes of tax-exempt securities are extant today. If taxes were now being collected against these securities it is estimated that $160,000,000 additional revenue would be flowing into the Treasury each year. This sum would aid greatly in keeping down or reducing the tax burden which the rest of the wealth of the country and the people who pay income taxes are compelled to bear today.

EXEMPTIONS COMPILED

The last available compilation of tax-exempt securities in the United States is for the year ending December 31, 1931. At that time, the following totally exempt or partially exempt securities of various classes were outstanding:

U.S. Government bonds, etc., totally exempt from normal as well as surtax	$5,011,000,000
Territorial bonds and securities, totally exempt	153,000,000
United States Government Federal farm-loan securities, totally exempt	1,789,000,000
United States Government issues which are exempt from normal tax only	12,125,000,000
Total, both classes	19,078,000,000
To the above figures are added the securities of the States, counties, cities, and school districts, which were outstanding on Dec. 31, 1931. These securities, totally exempt from Federal or State tax, totaled	15,583,000,000
Grand total for all classes	34,661,000,000

By deducting the figure of $12,125,000,000, representing issues exempt from the normal tax only, we had a total of $22,536,000,000 in securities of all classes outstanding on December 31, 1931, which were totally exempt from taxation for income.

Realizing that much of this investment might shift to other securities if the tax-exempt privilege were removed, there is no accurate basis for estimating revenue which might be produced

at current rates if these securities could now be taxed, but if the current rates were applied to the entire sum by Federal, State, and city governments alike, the revenue would be around $160,000,000 annually.

OPPOSE RETROACTIVE TAX

Any proposal to tax these securities now outstanding by a retroactive provision would not be favored in most quarters, and, moreover, would raise another complicating legal problem based upon the constitutionality of such retroactive provisions. It seems advisable, therefore, to adopt a reform measure which only contemplates the taxation of future issues of securities and which makes adequate provision for imposing such a tax upon renewal or exchange of outstanding obligations for new.

Although, so far as I can determine, there is no United States Supreme Court decision on the question, some courts, in collateral statements and dicta, have indicated that the renewal or exchange of outstanding Government bonds or obligations would not be "new issues", taxable as "future issues", within the meaning of the contemplated constitutional amendment or amendment to the revenue act. It is indicated that so long as the outstanding obligations were callable within the provisions of the contract, their retirement, with voluntary acceptance by the holder of a new issue in exchange, would permit taxation on the new obligation as a "future issue." If the exchange were mandatory, however, this would amount to repudiation of the previous obligation and substitution of a new contract subject to the tax, and would be the same in effect as applying the tax provisions retroactively to the income of all outstanding securities.

It will be necessary, therefore, to legally provide for the collection of a tax on income for the present securities which may be called in for renewal or exchange.

WAYS AND MEANS COMMITTEE ACTION

As this statement is being prepared, I am informed that a subcommittee of the Committee on Ways and Means of the House of Representatives, Seventy-third Congress, second session, has completed a thorough study of revenue legislation, including a study of tax-exempt securities, and has made the following recommendation:

"Your subcommittee deliberated at length in regard to the question of making all tax-exempt income taxable, but came to the conclusion that the only proper way to handle the subject in its broad aspect was through an amendment to the Constitution."

RECOMMENDATION OF MR. L. H. PARKER

With reference to the above recommendations of the subcommittee, Mr. L. H. Parker, Chief of Staff of the Joint Committee on Internal Revenue Taxation, today submitted to me the following statement outlining his personal views regarding the proper form of taxation if such recommendation is followed:

"If the general conclusion of the subcommittee is concurred in that this form of income should be made taxable through a constitutional amendment, then the important elements of such a plan may be properly considered.

"First, it seems obvious that all such interest should be equally subject to tax, whether the source be Federal, State, county, municipal, or township bonds. Otherwise, certain bonds will be preferred over others, and the interest rates, resulting from such a condition, unequal and unfair.

"Second, if all such interest is made subject to both normal and surtax in the hands of the individual and to the corporate income tax, the following questions need careful consideration:

"1. Will the taxes imposed substantially increase the interest paid on all future obligations?

"2. Will the rate on the bonds of small local communities be increased more than the rate on Federal, State, and city bonds?

"3. Will Federal, State, and local bonds find a sufficiently ready market in times of emergency?

"4. Will the bond market collapse when the passage of such a constitutional amendment becomes assured?

"Many will undoubtedly answer the first, second, and fourth questions above in the affirmative, and third in the negative. If such answers are correct, the whole proposition seems of doubtful merit. However, in the writer's opinion, the danger arising from these four propositions can be undoubtedly avoided by providing that all interest from Federal, State, and local bonds be subject to surtax but not to normal tax or corporate tax.

"It appears, since about 67 percent of these bonds are held by corporations and only 33 percent by individuals, that the following advantages might be claimed for such a plan:

"1. There will be a negligible increase in interest rates, since banks and other corporations, being the largest buyers, will set such rates.

"2. Corporate stockholders will not be affected differently than at present, since under existing law tax-exempt interest loses its exempt character in passing through the hands of the corporation; that is, the dividends from a corporation, all of whose income is from tax-exempt interest, are taxable to the stockholders at surtax rates.

"3. Small communities will be able to find purchasers for their bonds, since the banks generally take these issues, and such banks under the suggested plan would not be taxed except indirectly on the dividends declared to the stockholders.

"4. A sufficiently ready market would still exist, since individuals with small incomes and corporations would still be free from tax on this form of income.

"5. No enormous volume of securities would flood the market in anticipation of the constitutional amendment, making financing of public projects impossible during such a period.

"6. Nevertheless, the proposal would result in imposing the full surtax rate on the incomes of our wealthier citizens who choose this form of investment and have ability to pay substantial taxes.

"While the gross revenue from this proposal, to apply the surtax only, would be less than from applying normal, surtax, and corporate tax, it is believed that the net result would not be greatly different, on account of the increased interest rate which would probably result in the latter case.

"The above comments have been prepared rather hastily, but it is hoped that they may be of some value in your consideration of this subject."

L. H. PARKER, *Chief of Staff.*

COMMITTEE MEMORANDUM

In addition to the above statement, Mr. Parker also inserted in the hearings of the Ways and Means subcommittee the following memorandum on wholly and partially tax-exempt interests, which I regard as extremely important in connection with the technical and legal phases of the question:

MEMORANDUM ON WHOLLY AND PARTIALLY TAX-EXEMPT INTEREST

"Much attention recently has been given to the question of whether the interest on Federal, State, and local bonds should be subject to taxation by the Federal and State Governments. A consideration of the facts in connection with the subject does not lead to an obvious conclusion. However, such facts as seem most important will be pointed out, and certain suggestions made in connection with the matter as appear to warrant consideration.

"The total interest-bearing indebtedness of the Federal, State, and local Governments is estimated to be approximately $40,500,000,000 at this time. The annual interest charge on this amount is estimated to be approximately $1,805,000,000. The larger part of this latter sum is entirely free from Federal and State income taxes, although it is true that some of the Federal bonds are subject to surtaxes. Also, practically all of the bonds are subject to estate and inheritance taxes, and to the income tax insofar as a profit is realized upon the sale thereof.

"Naturally we have accurate figures as to the total amount of Federal securities. On August 31, 1933, the total interest-bearing debt of the United States outstanding amounted to $22,722,597,530, of which amount $12,860,055,350 was subject to surtax and $9,862,542,180 was wholly tax exempt as to both income and surtax. It appears that the average annual interest charge on this Federal debt will be approximately $825,000,000, indicating an average interest rate of approximately 3⅝ percent.

"From incomplete data available this office estimates the present State and local indebtedness to be about $17,800,000,000. The annual interest charge on this sum is probably not less than $980,000,000, indicating an average interest rate of 5½ percent.

"Our revenue acts provide that taxpayers, both individual and corporate, shall report the interest received from these wholly or partially tax-exempt bonds. There is no penalty for not so reporting the wholly tax-exempt interest, and there might be some question as to the legality of such a penalty. In any event, it seems certain that a very considerable amount of the wholly tax-exempt interest is not reported on the returns. This, of course, makes no difference in our present revenue, but is disturbing when we make a statistical study of this question.

"It has already been pointed out that our present annual interest charge on the total Federal, State, and local debt will amount to approximately $1,805,000,000. In 1930 this interest charge amounted to considerably less—probably to about $1,370,000,000. Nineteen hundred and thirty is the latest year on which we have complete income-tax statistics, and in this year we can account for the following amounts of wholly or partially tax-exempt interest on the income-tax returns:

(1) Individuals with net income of $5,000 and over:	
Interest on State and local bonds	$172,841,118
Interest on wholly exempt United States bonds	51,308,177
Interest on partially exempt United States bonds (including farm-loan bonds)	38,133,605
Subtotal	262,282,900
(2) Corporations—all:	
Interest on Federal, State, and municipal bonds	536,260,563
(3) Individuals with $5,000 gross but no net income:	
Interest on partially exempt Government bonds	5,738,139
Grand total	804,281,602

"It is apparent, therefore, that the actual figures on the 1930 income-tax returns account for only $804,281,602 out of a total of probably $1,370,000,000 of wholly or partially tax-exempt interest paid out in that year. While we can account for some of this difference of $566,000,000 as going to the individuals with net incomes of less than $5,000, to tax-exempt corporations, and to foreign individuals and corporations, it must be admitted that the larger portion of the difference probably is the result of the tax-exempt interest not being reported on the returns. However, our figures seem sufficiently complete to form a basis for estimates.

"Before speculating, however, as to how much revenue may be derived from the taxation of this interest, it will be necessary and

interesting to observe the distribution of this kind of interest among our smaller taxpayers, our middle class, and our wealthy class. This distribution need be made only for individuals, since the corporate rate of tax is constant while the individual rates of tax are graduated. Furthermore, it can be computed from the figures already given that the corporations appear to hold about 67 percent of the total of Federal, State, and local obligations.

"The wholly and partially tax-exempt interest reported by individuals with net incomes of over $5,000 has been computed for the years 1924, 1927, 1929, and 1930. This interest has been broken up into two groups: (1) United States securities and Federal farm-loan bonds; and (2) State and local obligations. The interest derived from each of these groups has been further classified so as to show the amount received in each case by individuals with net incomes of over $5,000 and not over $25,000, by individuals with net incomes of over $25,000 but not over $100,000, and by individuals with net incomes of over $100,000. These facts are shown in the following four tables covering, respectively, the 4 years already named:

Wholly and partially tax-exempt interest reported by individuals with net incomes of over $5,000 by net income classes

Year	Net income class	United States securities and Federal farm-loan bonds	Percent of total	State and local obligations	Percent of total	Total
1924	$5,000-$25,000	$41,530,723	65	$22,295,874	35	$63,826,597
	$25,000-$100,000	42,885,531	48	46,548,494	52	89,434,025
	Over $100,000	35,558,241	42	49,803,812	58	85,362,053
	Total	119,974,495	51	118,648,180	49	238,622,675
1927	$5,000-$25,000	39,417,257	57	30,036,240	43	69,453,497
	$25,000-$100,000	35,550,097	41	51,589,027	59	87,139,124
	Over $100,000	39,579,448	36	70,710,492	64	110,289,940
	Total	114,546,802	43	152,335,759	57	266,882,561
1929	$5,000-$25,000	32,222,421	53	29,018,872	47	61,241,293
	$25,000-$100,000	31,244,723	37	54,317,645	63	85,562,368
	Over $100,000	36,920,846	30	86,216,837	70	123,137,683
	Total	100,387,990	37	169,553,354	63	269,941,344
1930	$5,000-$25,000	33,133,796	46	38,589,450	54	71,723,246
	$25,000-$100,000	30,699,843	33	61,954,130	67	92,653,973
	Over $100,000	25,608,143	26	72,297,538	74	97,905,681
	Total	89,441,782	34	172,841,118	66	262,282,900

"The following facts may readily be noted from the above tables:

"First. The interest received, and hence the amount of Federal securities held, by all our individual taxpayers with net incomes of over $5,000 has steadily declined. In 1924 the interest received amounted to about one hundred and twenty million; in 1927, to about one hundred and fifteen million; in 1929, to about one hundred million; and in 1930, to about eighty-nine million, a decline of 30 percent from 1924 to 1930.

"Second. The interest received, and hence the amount of State and local obligations held, by all our individual taxpayers with net incomes of over $5,000 has somewhat increased. In 1924 the interest received amounted to about one hundred and nineteen million; in 1927, to about one hundred and fifty-two million; in 1929, to about one hundred and seventy million; and in 1930, to about one hundred and seventy-three million, an increase of 45 percent from 1924 to 1930.

"Third. The class of taxpayers with net incomes of from $5,000 to $25,000 do not find the Federal bonds unattractive. In 1924, 65 percent of their interest was received from such bonds and 35 percent from State and local bonds, while in 1930 the Federal interest received amounted to 46 percent and the State and local interest to 54 percent.

"Fourth. In the case of the middle class of taxpayers with net incomes between $25,000 and $100,000 the proportion of Federal to State and local interest received is much less than in the smaller class and the shift to State and local investment greater. For instance, in 1924, of the total interest received by this class, 48 percent came from Federal securities and 52 percent from State and local obligations, while in 1930, 33 percent came from the former source and 67 percent from the latter.

"Fifth. In the case of the wealthy taxpayers, with net incomes of over $100,000, the unattractiveness of the Federal issues becomes even more pronounced and the shift to State and local issues still greater. In 1924 this class received 42 percent of their total interest from Federal securities and 58 percent from State and local obligations. In 1930, however, 26 percent came from Federal sources and 74 percent from State and local sources.

"It is our conclusion from the above facts that the small taxpayer finds Federal bonds quite as attractive as State and local bonds, because the greater security offered by the former offsets the higher interest rate of the latter. In the case of the larger taxpayers, however, we are forced to the conclusion that State and local issues are preferred over Federal issues, not because this class of taxpayers desire less security, but because the State and local issues are entirely free from surtax, while the majority of the Federal bonds are subject to such tax.

"What additional revenue could be secured by subjecting all this interest on the public debt to tax? Based on the data available and the existing tax rates, we believe the maximum revenue which the Federal Government could obtain would not exceed $160,000,000 annually. Of this amount, about $90,000,000 would come from individuals and about $70,000,000 from corporations.

"A study of the market quotations on Government bonds indicates that the wholly tax-exempt securities are slightly preferred over the partially exempt securities. This is true in spite of the fact that both classes of securities are wholly tax exempt when in the hands of corporations. Thus, a broad tax-free market is now open to corporations for the bonds which are only partially tax exempt in the hands of individuals. If this were not the case, authorities seem to agree that future bond issues by our governmental units would necessarily bear a higher interest rate.

"An increase in interest rate of one fourth of 1 percent on $40,000,000,000 would cost our Government $100,000,000 annually; an increase of one half of 1 percent would cost $200,000,000 annually. Of course, the increase in interest costs would not take effect immediately if Congress taxed bonds already issued in tax-exempt form without retirement and reissue. However, to do so would raise a serious question of breach of faith and might be construed to violate the Constitution.

"At the present time, substantial revenue could be secured by taxing the interest on all Federal, State, and local bonds if the income tax were applied to old as well as new issues. The question of whether such a procedure is right or wrong from a moral standpoint is one which is beyond the scope of this memorandum.

"It is the opinion of this office that if the income tax were applied in full to all future issues of these bonds the increased interest cost would nearly offset the additional revenue secured.

"SUGGESTIONS

"If it is desired to subject all Federal, State, and local bonds to the income tax of both Federal and State Governments, it appears that the fairest way, and the only one free from legal uncertainties, would be to present the issue to the people through an amendment to the Constitution.

"It is suggested that for present purposes it might be well for the Congress to consider the advisability of making all future issues of Federal interest-bearing obligations subject to the surtax. This would restrict the opportunity now existing for the avoidance of this tax. In fact, much might be said, even in the case of a constitutional amendment, in favor of making the interest on Federal, State, and local bonds subject to surtaxes but not to normal taxes. It would have the effect of preventing tax avoidance without materially increasing the interest rate.

"There is some possibility, in view of certain decisions of the Supreme Court of the United States, that even under existing law interest on governmental bonds can be reached by an excise tax in the case of individuals or corporations carrying on business. This question is discussed in the appended memorandum prepared by Mr. Stam, counsel to this committee.

"As already stated, no obvious conclusion is apparent in connection with this matter. It is a subject of importance, and needs further investigation and study. (Italics supplied.)

"Respectfully,

"L. H. PARKER, *Chief of Staff.*"

POWER OF CONGRESS TO TAX TAX-EXEMPT SECURITIES

EXCISE TAX

Many proposals have been submitted suggesting the taxation by the Federal Government of the income received from State and municipal securities. It is settled doctrine that without a constitutional amendment Congress has no power directly to tax the income received from State and municipal securities (*Metcalf and Eddy* v. *Mitchell, Admx.*, 269 U.S. 514, 521; *Pollock* v. *Farmers' Loan & Trust Co.*, 157 U.S. 429; *National Life Insurance Co.* v. *U.S.*, 48 Sup. Ct. 593). However, there is a possibility that such income might be reached through an excise tax measured by the net income from all sources. In the case of corporations, it seems clear that this can be done. The corporation-excise tax of 1909 taxed the privilege of carrying on or doing business by corporations. The tax was measured by the net income of the corporation from all sources. Since the subject of the tax was an exercise of a franchise or privilege, the Supreme Court held that Congress had the power to include in the measure of the tax the income from tax-exempt securities, although such income could not be directly taxed (*Stone Tracy Co.* v. *Flint*, 220 U.S. 107). Moreover, some of the States, through corporation-excise taxes, are now taxing the income from Federal securities by measuring the excise by the net income of the corporation from all sources. In at least two of the States, namely, California and New York, their power to do this has been upheld by the Supreme Court (*Pacific Co.* v. *Johnson*, 285 U.S. 480; *Educational Films Co.* v. *Ward*, 282 U.S. 379). In the California case the Supreme Court made the following statement as to this point:

"The owner may enjoy his exempt property free of tax, but if he asks and receives from the State the benefit of the taxable privilege as the implement of that enjoyment, he must bear the burden of the tax which the State exacts as its price.

"So far as individuals are concerned, there is a possibility that the income received by them from tax-exempt securities may also be reached through an excise. To do this we must first find a taxable privilege upon which to base the excise. It seems clear that all trades, avocations, and employments by which individuals acquire a livelihood may be made the subject of an excise or privilege tax. (See the Stone Tracy and Pollock cases, cited above.) Accordingly, if Congress levied an excise on individuals engaged in

any business, occupation, trade, avocation, or employment, it seems entirely possible that such tax could be measured by the net income of the individual from all sources, including the income from tax-exempt securities. As stated by the Supreme Court in the Stone Tracy Co. case, 'there is no rule which permits a court to say that the measure of a tax for the privilege of doing business, where income from property is the basis, must be limited to that derived from property used in the business.' It is up to Congress to determine the measure of the excise, and it seems entirely possible that the measure of such excise could be the net income of the individual from all sources, including tax-exempt securities.

"Under this proposed scheme there would be three taxes levied by the Congress: (1) An excise tax upon the carrying on or doing business by corporations measured by the net income from all sources; (2) an excise tax upon individuals engaged in any trade, occupation, avocation, or employment, measured by the net income from all sources; and (3) a net-income tax imposed upon all individuals and corporations not subject to the excise tax.

"By this scheme most of the income from tax-exempt securities could be reached. Those persons that would escape would be only those who do not engage in any trade, avocation, or employment, but merely hold securities. This scheme would also not extend to State employees engaged in governmental functions of the State, for such occupations being governmental in character could not be reached even through an excise.

"COLIN F. STAM, *Counsel.*"

(NOTE.—For tables listing income tax for individuals, present and proposed, showing effect of tax exemption, see exhibit A in exhibits hereto.)

LEGAL OPINION OF DAVID M. WOOD

In addition to the statement of Mr. Stam, I quote from an opinion by Mr. David M. Wood, of New York:

"The Constitution of the United States nowhere expressly declares that Congress has no power to tax the bonds of the States or of their subdivisions, or the income derived from such bonds. It is, however, equally silent regarding the power of the States to tax the bonds of the United States and the income derived from those bonds. The limitations upon the powers of Congress and of the State legislatures with respect to such taxation, therefore, if they exist at all, are implied limitations, and the intention to impose such limitations must be determined from a study of the entire Constitution and its historical background.

"When, as a result of the American Revolution, the Thirteen Colonies achieved their independence from Great Britain they became 13 independent nations, each jealous of its own sovereignty and suspicious and distrustful of its neighbors. Men at that time did not consider themselves Americans. They were Virginians, Pennsylvanians, New Yorkers, etc. No idea of national unity at that time existed except in the minds of a few remarkable men. At length, however, the necessity for a Federal Union of these 13 independent nations became apparent, and a convention was assembled which undertook the drafting of a Federal Constitution. The representatives of no State in this convention, however, had any intention of surrendering the sovereignty of their State to the new Federal Government which they hoped to set up, and yet it was necessary to vest in the new Government the attributes of sovereignty. The result was a compromise. The States delegated to the Federal Government some of their sovereign powers and reserved all others to themselves. Thus arose a system of dual sovereignty which has prevailed in this country ever since.

"The Federal Government and the States, although both exist within the same territorial limits, are separate and distinct sovereignties, acting separately and independently of each other, within their respective spheres. The Federal Government, in its sphere, is supreme, but the States, within the limits of the powers which they have not granted to the Federal Government, are as independent of it as that Government, within its sphere, is independent of the States.

FEDERAL TAXING POWERS LIMITED

"Of necessity, the Federal Government had to be granted the power of taxation, but certain limitations were imposed upon the exercise of that power. All direct taxes were prohibited, unless levied in proportion to the census, which the Constitution directed to be taken. This limitation should be remembered as it is one which affects the question under discussion. The States, however, reserved to themselves the power of taxation for State and local purposes. Thus it is quite possible for the States and the Federal Government to levy taxes upon the same source of revenue. Conflicts in the exercise of these respective taxing powers were almost inevitable, and the courts had occasion to decide cases arising out of these conflicts almost immediately after the establishment of the Federal Government.

"Chief Justice Marshall, in *McCulloch* v. *Maryland* (4 Wheat. 316), pointed out that, if the States possessed the power to tax the Federal Government, or the means or instrumentalities through which it exercised its constitutional powers, the Federal Government would be subordinate to the States. He declared the power to tax was the power to destroy, and that if it were conceded that the States possessed the power to tax the Federal Government or its governmental instrumentalities, they could impede, if not destroy, the Federal Government. To maintain the supremacy of the Federal Government, within its appropriate sphere, as the Constitution clearly intended, Chief Justice Marshall rendered his famous decision in *McCulloch* v. *Maryland*, that the States had no power, by taxation or otherwise, to impede, burden, or in any manner control the operation of the laws enacted by Congress to carry into effect the powers vested in the Federal Government.

"Applying the principle announced in this decision, the same Court, in the case of *Western* v. *Charleston* (2 Pet. 449), held that an ordinance of the city of Charleston, S.C., attempting to tax securities issued by the United States, was unconstitutional. The Court pointed out that such a tax would inevitably fall upon the borrower, and that, in reality, it would be a tax upon the exercise of the power of the Federal Government to borrow money; in short, a tax upon the United States Government itself. That decision has been repeatedly followed by the Federal courts as well as by the courts of the various States.

EARLY DECISIONS NEVER SERIOUSLY QUESTIONED

"But it is equally true to admit the power of the Federal Government to tax the States or the means or agencies through which they exercise their sovereign powers would subordinate the States to the Federal Government, which, likewise, was not intended by the framers of the Constitution. It follows, therefore, as a necessary corollary to the decisions in *McCulloch* v. *Maryland* and *Weston* v. *Charleston* that the United States cannot tax the governmental functions of the States. Accordingly we find the Supreme Court of the United States, in the case of *Collector* v. *Day* (11 Wall. 113) and in the *United States* v. *Railroad Co.* (17 Wall. 322), holding that the United States could not levy taxes upon bonds issued by an instrumentality of State government. These decisions likewise have not been seriously questioned since they were rendered generations ago.

INCOME TAX LAW OF 1894

"In the year 1894, however, Congress passed a law providing for the taxing of income, including income derived from interest upon notes, bonds, or other securities, except certain bonds of the United States. It was contended that, while the bonds issued by the States or their instrumentalities of government could not be taxed by Congress, there was no reason why it could not tax the income derived from these bonds. The validity of this law was considered by the Supreme Court of the United States in *Pollock* v. *Farmers Loan & Trust Co.* (157 U.S. 429). Chief Justice Fuller, in delivering the opinion of the Court, said:

"'We think the same want of power to tax the property or revenues of the States or their instrumentalities exists in relation to a tax on the income from their securities * * * it is obvious that taxation on the interest therefrom would operate on the power to borrow before it is exercised, and would have a sensible influence on the contract, and that the tax in question is a tax on the power of the States and their instrumentalities to borrow money, and consequently repugnant to the Constitution.'

"The income-tax law of 1894 was held unconstitutional in this same case on still another ground. I have referred to the fact that the Constitution required an apportionment among the States, based upon the census, of any direct taxes levied by Congress. In the Pollock case the Court held that an income tax was a direct tax and as the tax had not been apportioned among the several States in proportion to the census it was unconstitutional.

NECESSITY FOR THE SIXTEENTH AMENDMENT

"This decision rendered the levy of income taxes by the Federal Government impracticable until the ratification of the sixteenth amendment, which provides as follows:

"'The Congress shall have power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several States and without regard to any census or enumeration.'

"Upon the ratification of this amendment, indeed before it was ratified, it was contended that its effect would be to vest in Congress the power to levy taxes upon the income derived from State and municipal bonds, but when the Supreme Court of the United States had occasion to consider the effect of the amendment, it declared that it merely removed the requirement for an apportionment among the States of taxes laid upon income. Justice Van Devanter in *Evans* v. *Gore* (253 U.S. 245) said:

"'Thus the genesis and words of the amendment unite in showing that it does not extend the taxing power to new or excepted subjects, but merely removes all occasion otherwise existing for an apportionment among the States of taxes laid on income, whether derived from one source or another.'

"If the effect of the sixteenth amendment was not to extend the taxing power of Congress to new or excepted subjects, then it did not confer upon Congress power to tax the income from State and municipal securities, for such income had been excepted from the taxing power of the Federal Government.

NATIONAL LIFE CASE

"The Supreme Court of the United States has never had occasion to pass upon the constitutionality of an act of Congress attempting directly to tax income derived from State or municipal bonds, but in *National Life Insurance Co.* v. *United States* (277 U.S. 508) it was called upon to consider whether the effect of a statutory computation of deductions was to impose a tax upon the income of State and municipal securities. It held that the act did indirectly impose a tax upon such income and that insofar as it affected State and municipal bonds it was unconstitutional. Justice McReynolds, in delivering the opinion of the Court, said:

"'It is settled doctrine that directly to tax the income from securities amounts to taxation of the securities themselves (*North-*

western Mutual Life Ins. Co. v. *Wisconsin*, 275 U.S. 136). Also that the United States may not tax State or municipal obligations.'

"In *Willcuts* v. *Bunn* (282 U.S. 216) Chief Justice Hughes said:

"'The well-established principle is invoked that a tax upon the instrumentalities of the States is forbidden by the Federal Constitution, the exemption resting upon necessary implication in order effectively to maintain our dual system of government. The familiar aphorism is "that if the means and instrumentalities employed by the General Government to carry into operation the powers granted to it are exempt from taxation by the States, so are those of the States exempt from taxation by the General Government" (*Ambrosini* v. *United States*, 1, 7). And a tax upon the obligations of a State or of its political subdivisions falls within the constitutional prohibition as a tax upon the exercise of the borrowing power of the State. * * *

"'*In the case of the obligations of a State or of its political subdivisions, the subject held to be exempt from Federal taxation is the principal and interest of the obligations.* *Pollock* v. *Farmers Loan & Trust Co.*, supra. These obligations constitute the contract made by the State, or by its political agency pursuant to its authority, and a tax upon the amounts payable by the terms of the contract has, therefore, been regarded as bearing directly upon the exercise of the borrowing power of the Government. In *Weston* v. *Charleston* (2 Pet. 449, 468, 469), where the tax, laid under an ordinance of the city council upon United States stock which had been issued for loans made to the United States, was held invalid, the principle was thus stated by Chief Justice Marshall: "The right to tax the contract to any extent, when made, must operate upon the power to borrow before it is exercised and have a sensible influence on the contract. The extent of this influence depends on the will of a distinct government. To any extent, however inconsiderable, it is a burden on the operations of government * * *. The tax on Government stock is thought by this Court to be a tax on the contract, a tax on the power to borrow money on the credit of the United States, and consequently to be repugnant to the Constitution." This language was applied by the Court in *Pollock* v. *Farmers' Loan & Trust Co.*, supra (157 U.S. at p. 586) in holding invalid Federal taxation "*on the interest*" *from municipal securities.*'" (Italics mine.)

OTHER RECENT CASES

"In *Indian Motorcycle Co.* v. *United States* (283 U.S. 570) Justice Van Devanter said, at page 576:

"'It has been adjudged that bonds of the United States issued to raise money for governmental purposes, and the interest thereon, are immune from State taxation, because such a tax, even though inconsiderable in amount and imposed only on holders of the bonds, would burden the exercise by the United States of its powers to borrow money. * * * And this immunity has been held to include bonds of a municipal corporation in a territory issued to raise money for municipal purposes, the decision being put on the ground that such a corporation is an instrumentality of the United States exercising delegated governmental powers. * * * It also has been adjudged that bonds of municipal corporations in the several States, issued to raise money for public municipal purposes, *and the interest thereon*, are immune from Federal taxation, and this on the ground that such corporations are representatives of the States and exercise some of their powers, and that under the implications of the Constitution the governmental agencies and operations of the States have the same immunity from Federal taxation that like agencies and operations of the United States have from taxation by the States.'" (Italics mine.)

"In *Educational Films Corporation* v. *Ward* (282 U.S. 379), Mr. Justice Stone declared that, 'this Court, since *McCulloch* v. *Maryland* (4 Wheat. 316) has consistently held that the instrumentalities of either government, *or the income derived from them*, may not be made the direct object of taxation by the other * * *' (Italics mine.)

REVERSAL OF DECISIONS NOT PROBABLE

"To my mind it is inconceivable that the Supreme Court of the United States would reverse a long line of decisions extending from John Marshall's time down almost to the present date, and sustain, as constitutional, an act of Congress levying a tax on the income derived from State and municipal securities. The recent opinions, above quoted, clearly indicate that the court would hold such an act unconstitutional. Indeed, were it to do otherwise, it would open a Pandora's box of evils. If Congress is not prohibited by the Constitution from taxing the income from State and municipal bonds, then the States are not prohibited from taxing the income derived from bonds issued by the Federal Government. The consequences of such a decision would be very far-reaching, but I do not intend to indulge in needless speculation upon them, as I am firmly convinced that it would never be rendered.

"Lest I be misunderstood, let me make it perfectly clear that I have been discussing taxes levied by Congress directly upon the income derived from State and municipal securities. Such securities, and the income derived therefrom, may be made, indirectly, the subject of taxation, as, for instance, through the levy of inheritance taxes, or corporation franchise taxes, etc. An inheritance tax is not a tax upon the security, but upon the right to inherit, and it may be measured by the value of the inheritance, notwithstanding the fact that the property passing may consist wholly of tax-exempt securities. Likewise franchise taxes have been sustained, which are measured by the corporate income, including income from tax-exempt securities. Such taxes are taxes upon the right to exercise the corporate franchise, and are not taxes upon the securities themselves. Other forms of excise taxes exist or may hereafter be devised, which may, indirectly, affect State and municipal securities. These taxes, however, are not within the scope of this opinion.

"If the taxation of income from State and municipal bonds is desirable, the remedy lies in a constitutional amendment. In that way the extent to which such taxation might be permitted could be definitely fixed; and the desired result could be accomplished without endangering the existence of the dual system of government, which, with all its frictions and imperfections, has worked remarkably well.

UNDER CONSTITUTIONAL AMENDMENT OUTSTANDING AS WELL AS NEW BONDS COULD BE TAXED

"The question is sometimes asked whether, under such a constitutional amendment, Congress could tax the income of outstanding State and municipal bonds, or whether it would be limited to taxation of income from bonds issued after the ratification of the amendment. The answer to that question would depend upon the terms of the amendment. There is nothing to prevent the amendment of the Constitution so as to confer upon Congress the power to tax the income from all outstanding State and municipal bonds. Indeed Congress might be authorized to tax the bonds themselves. That would not amount to a breach of contract on the part of the Federal Government. The Federal Government has entered into no contract with the holders of State and municipal bonds to refrain from taxing them or the income derived from them. The only contract which exists is between the State, or municipality, which issued the instrument and the holder, a contract to which the United States is not a party. The reason taxes are not now levied by Congress upon income derived from such securities is only because of the fact that the taxing power of Congress does not extend to that subject, and not because of any contract made by the United States with the holder of the bonds to refrain from taxing them, or the income derived from them.

"Whenever the people of the United States determine to vest in Congress, by constitutional amendment, the power to tax State and municipal bonds or the income derived therefrom, Congress will possess that power to whatever extent the people grant it, but, until such a constitutional amendment is ratified, Congress possesses no power to tax the income derived from bonds issued by the States or by their municipalities or political subdivisions."

SUBCOMMITTEE RECOMMENDATION

As a result of the hearing by the Ways and Means Subcommittee a report will no doubt be submitted to the House with regard to the tax-exempt securities question. There is a difference of opinion in the committee, just as there is a difference of opinion among all experts or persons interested in this subject. Sooner or later it will become the duty of the Senate to decide this all-important question, either in connection with revenue legislation which comes over from the House or by original legislation in the Senate. There may be, of course, some Presidential recommendation on this subject before the present session terminates which, of course, would influence the course that it follows.

It is my impression that the Senate should take immediate action and go on record on the tax-exempt securities proposal; and inasmuch as the issue is now before us I personally favor the advancement of a constitutional amendment, as provided by pending resolutions. If we are to solve this all-important problem, we might as well do it constitutionally, logically, and completely.

If, however, the Senate should feel that there is sufficient legal justification for the imposition of an excise tax on income from Federal securities and from State and local securities, the course of action would lie in amending the present internal revenue laws. As indicated, however, by Mr. Colin F. Stam, counsel for the Joint Committee on Internal Revenue Taxation, in his statement in the report of Mr. L. H. Parker, previously referred to, the result of this tax presents some doubt and "those persons that would escape would be only those who do not engage in any trade, avocation, or employment, but merely hold securities." Mr. Stam also states that "this scheme would also not extend to State employees engaged in governmental functions of the State, for such occupations being governmental in character could not be reached even through an excise."

If the tax is to be imposed upon securities at all, it would seem that we should certainly reach those persons who "merely hold securities", as referred to by Mr. Stam, since this group actually controls most of the securities.

A third way, of course, is that of amending the internal revenue act to make incomes from United States securities subject to the income-tax laws of the United States, as provided by my bill, S. 1892. As previously pointed out, however, such a measure would not be complete and would only reach Federal securities. If it is deemed advisable at this time not to provide for taxing the income from State and local securities, such a measure would appear to be entirely satisfactory if care is used in making provision to tax Federal securities which are "renewed" or "exchanged."

THE FOREIGN TAX-EXEMPT SECURITIES

I have assembled some data showing the total estimated Federal and local securities outstanding in leading foreign countries which are exempt from taxation, so that there will be a basis of comparison with our own tax-exempt status. Because of rapidly changing financial situations in each country during the past year or so it is naturally impossible to obtain accurate data. The fol-

lowing summary and information is based largely on data contained in Moody's Manual of American and Foreign Securities for 1933. In some cases the information in the manual has been supplemented by material furnished by the Bureau of Foreign and Domestic Commerce of the Department of Commerce and by information supplied by banking contacts.

Table I shows the proportion of income tax-exempt securities to the total bonded debt of each country. The total bonded debt as given includes both external and internal obligations, but excludes short-term Treasury notes and war debts. Conversion into dollars has been made at the Federal Reserve buying for October 11, 1933.

Great Britain: Exemption from the payment of the income tax on some types of British Government securities is given only to holders resident outside of Great Britain and on other types is limited to interest not exceeding 5 percent per annum (exhibit B).

France: The tax-exemption status of French Government securities is very complicated, and in Moody's Manual many issues are listed without details on this subject. I have endeavored to supplement the data in Moody's Manual by information secured from private sources. The issues listed are entirely exempt from the French income tax. In addition to those listed there are reported to be other Government issues exempt from the income tax on which detailed information is not available, and which would raise the proportion of income tax-exempt securities to the total outstanding. In addition to the Government securities listed there are 31 provincial and municipal issues exempt from the French income tax (exhibit C).

Germany: In addition to the Government securities listed there are 48 provincial, municipal, and miscellaneous issues exempt from the German income tax (exhibit D).

Italy: In addition to the Government securities listed there are four municipal and miscellaneous issues exempt from the Italian income tax (exhibit E).

Belgium: In addition to the Government securities listed there are nine municipal and miscellaneous issues exempt from the Belgian income tax (exhibit F).

Switzerland: In addition to the Government securities listed there are six municipal and miscellaneous issues exempt from the Swiss income tax (exhibit G).

TABLE I—*Proportion of partially or wholly income tax-exempt*[1] *securities to total bonded debt of country*

	Total of income tax-exempt Government securities	Total bonded debt excluding short-term Treasury notes and war debts	Percent tax-exempt securities to total indebtedness
Great Britain[1]	$8,625,913,022	$26,708,865,000	32.30
France	2,673,207,371	14,442,145,800	18.51
Germany	770,936,934	3,708,843,200	20.79
Italy	6,014,016,594	7,079,537,200	84.95
Belgium	597,695,832	1,832,873,916	32.61
Switzerland	324,659,430	1,395,246,870	23.27
	19,006,429,183	55,167,511,986	[2] 35.40

[1] Exemption from the payment of the income tax on some types of British Government securities is given only to holders resident outside of Great Britain and on other types is limited to interest not exceeding £5 per annum. In the case of other countries the securities listed as exempt from the income tax are wholly so.

[2] Average.

CONVERSIONS AT FEDERAL RESERVE BUYING RATES FOR OCTOBER 11, 1933

Total bonded debt listed on basis of latest available figures as follows:

Great Britain, March 31, 1933; France, March 31, 1933; Germany, March 31, 1933; Italy, June 30, 1933; Belgium, December 31, 1932; Switzerland, December 31, 1932.

RATIO IN UNITED STATES HIGH

Estimating our outstanding securities in the United States which are totally tax exempt at roughly $7,000,000,000, and adding thereto the issues which are exempt from the normal tax only, approximately $12,000,000,000, we have in round figures around $19,000,000,000 outstanding in some form of Federal tax-exempt securities. The President in his address to Congress on January 3 estimated the present public debt of the Federal Government at $23,000,000,000, which he said would increase to $31,000,000,000 in 1936. Using these figures we see that the ratio of tax-exempt securities to the public debt in the United States is approximately 72 percent as compared with an average of 35.40 percent ratio in foreign countries. Italy alone is higher, with a ratio of 84.95 percent.

Canada has frequently been pointed to as being entirely free from tax-exempt securities. The report regarding Canada, however, must be considered with that of England, as referred to earlier. The general policy of the British Government to limit exemptions only to holders resident outside of Great Britain, on certain types of securities, and to limit the other types of issues, has prevented a much larger ratio, although their figure stands at 32.30 percent, or close to the average for all countries. As pointed out by Representative Charles R. Crisp in the CONGRESSIONAL RECORD, 64: 716, December 19, 1922, when an amendment was pending in the House:

"Canada does not permit any tax-exempt securities to be issued. Canada is having no trouble in selling her bonds, and the Canadian bonds, state and municipal, sell for from one to one and one half percent cheaper than the highest industrial bonds. That will be true here, in my judgment, if this amendment does not interfere with the sovereignty of either the United States or of the several States. It puts them on an exact equality."

Whatever may be said of the circumstances in other countries, the United States is in a position of its own because of its leadership under the new deal. The old arguments for tax exemption have been shattered along with many other theories which have proved false to the American people by actual trial and error. When previous amendments have been proposed and considered by Congress to remove such exemptions the greatest opposition has always centered on the charge that State and local governments would be unable to borrow money to finance public utilities, streets, and other public-works projects which, as a matter of policy, should not be left to private enterprise. They argued that municipal credit would be destroyed, that private control of all financial operations of local governments would result, and that the public would ultimately be charged higher rates for public service under private control than they would pay by borrowing the money through tax-exempt securities.

But what has happened? Did such a policy prevent private enterprise from controlling the situation anyhow? Through all the period of rugged individualism can it be said that the local governments were able to stand on their feet and maintain their credit and keep going along with public projects and public relief, by continuing to issue tax-free obligations at attractive interest rates?

No; what has happened is this: The financial exploitations of our rugged individualists have had such a serious general effect upon our economic life that all manner of credit expansion and taxation has not enabled the States and local governments to withstand the shock. The Federal Government, with its stronger credit, has come in to make loans and grants to municipalities, and to extend aid to States, to feed the hungry, to stimulate business, and to build those streets and bridges and those other public projects which proponents of tax exemption claimed could and would be accomplished by the tax power of the States, or by continued credit of the local governments through issuance of tax-exempt securities.

And there is the answer to the opposition against elimination of State and municipal tax-exempt securities. It appears that the Federal Government will continue to extend aid and credit to them for at least 2 or 3 more years, and it may become necessary, as a part of our new economic situation, to grant them direct credit or aid on some permanent basis.

For the present, at least, it can be said that the Federal Government has largely substituted itself as a creditor of the local governments during the emergency, and for this reason the Federal Government itself will find it necessary to finance its operations both by increasing taxes and by issuing further obligations. Certainly if the Federal Government proposes to make its future issues subject to taxation it should not permit a refuge for great wealth in local tax exemption. While, of course, this is a privilege of the States and local governments, the present period of nationalization, incident to the depression, makes it necessary to look at the interests of the Federal Government and the State and local governments in one perspective. We cannot consistently favor the issuance of tax-exempt securities by the local governments and at the same time propose that the Federal Government should tax its future obligations. By so doing we would still provide an escape mechanism for those of great wealth who seek to avoid the tax and, at the same time, would be limiting the possibilities of the Federal Government in obtaining its necessary credit.

From this Federal standpoint alone, it can be said that recent Treasury offerings have been so largely oversubscribed it is quite evident that with definite fiscal policies and adequate taxation the Federal Government will have no difficulty in issuing securities even if the income from them is subject to taxation.

It has always been my belief that people who invest their money in either Federal or local tax-exempt securities do so for two reasons: (1) Because there is safety, (2) and because of the tax exemptions. By removing the privilege of tax exemption I still feel that the safety factor is sufficient to invite enough capital to maintain Federal and local credit, providing there is an adequate tax program. After such an experience as the American people have had in the stock market and in private investments, I feel reasonably sure that the mere removal of tax exemption from securities issued by the Federal or local governments will not deter them from rushing in, as heretofore, and subscribing to these issues, because of the safety factor alone. They would rather have their principal invested safely at low interest rates, even if they were subject to income tax thereon, than to take a chance on a great many speculative investments in the open market.

WHY A HIGHER INTEREST RATE?

This same reasoning applies also to the arguments of opponents of the amendment that if we tax our securities we must offer an increased interest rate which will more than offset it. This contention was one of the strongest points of the opposition when the constitutional amendment was up before the House in 1922, and at that time many legislators expressed the fear that the increase in interest rates would more than offset the tax derived.

This view is still shared by many, and Mr. Parker, in the report previously discussed before the Ways and Means Committee of the House, states that "an increase in interest rate of one fourth of 1 percent on $40,000,000,000 would cost our Government $100,000,000 annually; an increase of one half of 1 percent would increase the cost $200,000,000 annually."

If it were necessary to pay such increases, it would naturally follow that the outgoing interest rates would be more than the estimated $150,000,000 or $160,000,000 which would be derived from taxes from income, even if all the outstanding issues were taxed.

But doesn't this argument rest upon a false premise? The Treasury Department has recently found it possible to issue short-term obligations at lower interest rates than ever before because of the safety factor. No doubt they could obtain short-term financing at a much lower interest rate, if desired, and each issue would be oversubscribed. And I believe that long-term bonds could be sold and placed with interest rates as low or even lower than those on present obligations. If given a trial, the contention that interest rates will be increased will not prove itself. Moreover, it should be remembered that the tax on incomes from securities would not be the only gains to compare with estimates of increased interest rates which would offset them. There are the gains which would accrue from other sources where tax avoidance is made possible by the very existence of the tax-exempt bonds. Such an instance was referred to by former President Hoover in his report of November 2, 1923, to Senator Smoot, previously inserted in this statement, where "a man may borrow 70 percent on his house, * * * may invest this borrowed sum in tax-exempt securities, and under the present income-tax laws (1922) he may deduct the interest which he pays on his mortgage from his income and does not have to account for the sum he receives on tax-exempt securities."

If all the collatteral gains could be estimated, I am confident that the margin of income to the Federal Government would far exceed the outgoing increase in interest rates, even if we admit that such increases in interest would be necessary, and I am unwilling to concede that it would.

Incident to this argument against eliminating tax exemption is the contention that issues outstanding would immediately become more valuable if a tax is applied only to future issues and not to past issues. But what of it? Are we to feel disappointed because our outstanding Government bonds are more valuable than before? They would act as an advertisement to the public and would have a desirable effect on all Government securities issued in the future.

IS THE AMENDMENT NECESSARY?

Opponents of the amendment to eliminate tax-exempt securities also argue that complete exemption by such an amendment is entirely unnecessary. They contend that complete exemption of all bonds of the National Government from taxation by the State and the local governments and all bonds of the State and local governments from taxation by the National Government, both as to the principal invested and the income derived, has always been the rule in this country. They say that long-established rules in government or taxation should not be reversed except for very good reasons and after full and mature consideration. This is true, but the answer to this argument is that we now live in a different economic age, when reforms of all kinds are prevalent to shock those who have stood by old theories, unaware of the rising tide and public insistence for a change.

It is also contended that the proposed amendment would be unwise and undesirable because it is an interference with State rights. But we have realized in recent years the growing tendency and necessity for Federal intervention and protection and assistance to the States, particularly in great emergencies such as that at present, and also the willingness and insistence of the States to come to the Federal Government for aid. They say that the proposed amendment is a serious encroachment because it involves the power to tax, which is the power to destroy. They say that it would tend to destroy and certainly would impair the credit of the State and local governments, and that it would make it more expensive for the States and local governments to build schools, roads, sewers, etc. But I have already answered this contention. The States are already knocking at the door of the Federal Government for such aid anyhow.

The many other objections which have been presented against such reform have also subsided and have been covered by the rising tide for reform. Most of them were technical in nature, but will reappear again to cloud the issue and to prevent, if possible, the submission of such an amendment to the States for a vote. In this respect I regard the attitude of the opponents somewhat the same as that of those who opposed the submission of the repeal amendment. I also feel that an amendment eliminating tax-exempt securities would be approved by the States with the same confidence and with the same desire for reform as characterized their action on repeal.

No one can doubt that the existing conditions demand a remedy. The presence of a vast and rapidly increasing amount of tax-free bonds has disrupted the national tax system and presents to Congress at this time a problem of national importance. These evils have developed with the adoption by the Federal Government of the high surtaxes, by which it is sought to apportion the taxes among the people in accordance to their ability to pay. A great loss to the Federal Government has resulted, and it is estimated that at least $160,000,000 per year would be available to the Federal Government under the present tax rate if its outstanding exempt issues were taxed.

The complete prohibition of further issues of tax-exempt securities is fair to State and local governments. It would permit taxation without discrimination of State and local securities by the National Government and of national securities by the States. It will restore to the national tax system the principle of paying taxes in proportion to ability to pay.

It is a practicable remedy. It will go into effect gradually as the old issues are retired and new bonds subject to taxation are issued. It will not break faith with the holders of the present tax-free bonds. It has been approved and endorsed by most of the leading scholars, statesmen, and civic organizations, including the late President Harding, the late President Coolidge, former President Hoover, former Secretary of the Treasury Andrew W. Mellon, Prof. Edmund R. Seligman, the National Tax Association, the United States Chamber of Commerce, and by thousands of other individuals and organizations. The American people now demand some action.

THE LEGAL VIEWPOINTS OF THOSE OPPOSED TO ELIMINATING TAX-EXEMPT SECURITIES

Inasmuch as I have attempted to make this report a comprehensive survey of the tax-exempt-securities problem as it exists, I desire, in fairness to those who oppose the taxation of Government bonds, to present the following summary prepared by Dr. Rite Dielman, a member of the legislative reference staff of the Library of Congress:

ARGUMENTS OPPOSED TO THE TAXATION OF GOVERNMENT BONDS

"The sovereign powers of the Federal Government and of the States over taxation, each in its separate sphere, are clearly set forth by Judge Cooley in his Treatise on the Law of Taxation. The State and the Nation, having each their separate and distinct sphere, within which they are permitted by fundamental law to exercise independent authority, the principle which excludes from one sovereignty the taxing power of another is as much applicable within the American Union to the taxation of State and Nation, respectively, as it is elsewhere. But one sovereignty may permit its own agencies to be taxed by the other, under limitations prescribed by itself. On the general principle above stated, the States are precluded from taxing without Federal permission the bonds of the United States issued under their constitutional power to borrow money. The Federal Government is also without power to tax the corresponding means or agencies of the States; and the municipal corporations, being only a portion of its sovereign power, created as a convenient if not necessary part of the machinery of State government, are as much exempt from the taxation of the Federal Government, in all their revenues, as the State itself.[1]

"The courts have consistently maintained that the power of Congress to levy and collect taxes does not extend to the taxation of State and municipal bonds.[2] All agents and instruments of the State are exempt from the taxing power of the Federal Government. If they may be taxed lightly, they may be taxed heavily; if justly, oppressively. A municipal corporation is a representative of the State and a portion of its governmental power. As a portion of the State its revenues like those o fthe State, are not subject to taxation.[3] A tax upon income derived by a municipal corporation is a tax upon the power of the State and its instrumentalities to borrow money and in consequence repugnant to the Constitution of the United States.[4] Bonds issued by the State or under its authority by its public municipal bodies are means for carrying on the work of the Government and are not taxable even by the United States.[5]

"The States have no power to tax the instrumentalities of the United States Government. To do so would in effect be to give the States a revenue out of the revenue of the United States.[6] A State tax upon the securities of the United States, however small, tends to interfere with the constitutional power of the Government to borrow money on the credit of the United States and constitutes a burden upon the operations of government.[7] All subjects over which the sovereign power of a State extends are objects of taxation. The sovereignty of a State does not extend to means employed by Congress to carry into execution powers conferred by the people of the United States. The people have conferred the power of borrowing money on their Government. The grant of the power is incompatible with a restraining power. The right to tax the contract to any extent when made must operate upon the power to borrow before it is exercised and is a burden on the operations of government. It may be carried to an extent which shall arrest them entirely.[8]

"The power to tax is the power to destroy. If the right to impose a tax exists, it is a right which in its nature acknowledges no limits.[9]

---

[1] T. M. Cooley, A Treatise on the Law of Taxation, 3d ed., vol. I, pp. 130–134.

[2] *Collector* v. *Day* (11 Wall. 113 (1870), 127); *Pollock* v. *Farmers' Loan & Trust Co.* (157 U.S. 429 (1895), 584, 608; 158 U.S. 601, 630).

[3] *United States* v. *Railroad Co.* (17 Wall. 322 (December term, 1872), 327, 328, 329).

[4] *Pollock* v. *Farmers' Loan & Trust Co.* (157 U.S. 429 (1895); 158 U.S. 601).

[5] *Mercantile Bank* v. *New York* (121 U.S. 138 (1887), 162).

[6] *Bank of Commerce* v. *New York City* (2 Black. 620 (1862));*Lane County* v. *Oregon* (7 Wall. 71 (December term, 1868)); *Hamilton Co.* v. *Massachusetts* (6 Wall. 632).

[7] *Macallen Co.* v. *Massachusetts* (279 U.S. 620 (1929), 634).

[8] *McCulloch* v. *Maryland* (4 Wheat. 316 (1819)); *Weston* v. *City Council of Charleston* (2 Peters 449, 468); *Home Insurance Co.* v. *New York* (134 U.S. 594 (1890), 598).

[9] *McCulloch* v. *Maryland* (4 Wheat. 816, 431); *Weston* v. *City Council of Charleston* (2 Peters 449, 466).

"A State may not tax its own bonds which were exempt from taxation at the date of issue without impairing the obligation of contract. Nor is it possible for a State to repeal a statute granting such exemption.[10]

"The United States are not included within the constitutional prohibition which prevents States from passing laws impairing the obligation of contracts;[11] but when the United States has entered into a contract which grants partial or complete exemption to holders of its own securities, these terms cannot honorably be repudiated.[12]

"Congress has the power to authorize any new loan in taxable or in tax-exempt bonds or to refund outstanding bonds at maturity in either manner. It has been strongly urged that this mode of taxing public bonds be employed rather than to resort to constitutional amendment, because no government ever ought to relinquish its power to issue tax-exempt bonds in great emergencies such as war.[13]

"Alexander Hamilton strongly opposed issuing taxable public bonds. In his report on public credit, 1795, he said the taxable bonds would cost more than they were worth.

"A tax-exempt bond finds ready market. It does not have to compete with industrial bonds. It is therefore issued at a lower rate of interest and sold relatively higher than taxable bonds. This difference in price and interest is believed by some to make up for more than the amount that would be collected in taxes. In fact, it is a tax collected at the source, from which there is no possible evasion or concealment and no cost of collection. Taxing Federal bonds would be a matter of taking money out of one pocket and putting it into another if the tax were perfectly administered and assessed and collected without cost. But the experience of the Treasury Department has been that there is considerable evasion of income taxes.

"The rate of interest on a taxable bond would have to be at least high enough to insure to the investor a profit over present tax rates. But in order to market taxable bonds they would have to bear a rate of interest to insure the investor against any possible increase in the tax rate, both Federal and State, during the life of the bond.[14]

"If any measure were taken to issue taxable Federal bonds while allowing the States to continue to issue exempt bonds, the Federal Government would be at a disadvantage in seeking a market for its securities.[15]

"If both Federal and State Governments cease to issue exempt bonds, as contemplated in several proposed amendments to the Constitution, the disadvantage would lie with the government having the larger outstanding issues, which would be a source of revenue to the lesser debtor without compensation to itself. In raising this point in opposition to taxable bonds, it is generally assumed that it will work a hardship upon State and local governments, which have a continuous burden of school and other construction, while the Federal debt may in normal times be expected gradually to diminish. Moreover, those States that have no income tax law would derive no revenue from the taxation of bonds. Local governments such as municipalities, school districts, drainage, and irrigation districts could never hope to derive any benefit from taxable bonds and at the same time they would bear the burden of meeting a high rate of interest on their own bonds. It has been said that the necessity of refunding bonds at the high rates necessary to market taxable bonds would leave half of the municipalities of the country bankrupt. It is not improbable that many public works would have to be abandoned.[16]

"The ability to issue tax-free bonds has enabled large municipalities to free their citizens from the exploitation of corrupt public-utilities corporations. To be deprived of the privilege of issuing tax-exempt bonds for such purposes might make municipal ownership of public utilities difficult or impossible. At any rate the private corporations have strongly favored curtailing the privilege of issuing tax-exempt bonds.[17] The fact that Federal farm-loan bonds were tax free lightened the burden of farm mortgages.[18] In the event of great disasters such as fire, flood, or earthquake, much of the success of reconstruction depends upon the economical administration of large loans.[19]

"Any attempt to issue taxable bonds would greatly disturb the market. The holders of present issues of exempt bonds would find their bonds enhanced in value.[20]

"Unless new issues were authorized, it would be a long time before any revenue would flow to the Treasury. On the contrary, there might be great loss of revenue by reason of the efforts of State and local governments to issue exempt bonds to meet their needs for several decades ahead during the interval when any proposed amendment were pending.[21] In estimating the revenue to be derived from taxable bonds, the fact that educational, charitable, and other institutions whose property is exempt from taxation are fairly large holders of Government bonds, must not be overlooked.[22]

"To prohibit further issues of tax-exempt bonds would work a hardship against the new States as compared with the old States which have had a hundred years in which to develop their resources with tax-exempt bonds.[23]

"The increased expenditures of State and local governments is not due to extravagance fostered by the privilege of issuing tax-free bonds. Few public works were undertaken during the World War and the increased cost of labor and materials after the war necessitated great expense to the local government.[24]

"The issue of taxable bonds would increase the tax burden of those citizens who are not bondholders. When bonds are tax exempt, the tax is paid by the bondholder. When bonds are taxable the added cost in interest and in collecting the tax and the loss due to concealment of bonds distributes a burden to all taxpayers."[25]

EXHIBITS TO REPORT OF SENATOR LONERGAN IN SUPPORT OF HIS PROPOSALS TO TAX INCOME OF FUTURE ISSUES OF SECURITIES NOW CLASSED AS EXEMPT

EXHIBIT A

Income tax on individuals—Present and proposed taxes

MARRIED PERSON WITH INCOME FROM SALARY, BUSINESS, OR WHOLLY TAXABLE INTEREST

Income	Present law	Proposed	Reduction	Increase
$1,000	$0	$0		
$1,500	0	0		
$2,000	0	0		
$2,500	0	0		
$3,000	20	20		
$3,500	40	40		
$4,000	60	60		
$4,500	80	80		
$5,000	100	100		
$6,000	140	140		
$7,000	210	200	$10	
$8,000	300	280	20	
$9,000	390	365	25	
$10,000	480	455	25	
$12,000	680	650	30	
$14,000	900	880	20	
$16,000	1,140	1,120	20	
$18,000	1,400	1,390	10	
$20,000	1,680	1,670	10	
$22,000	2,000	1,980	20	
$24,000	2,340	2,300	40	
$26,000	2,700	2,650	50	
$28,000	3,080	3,010	70	
$30,000	3,480	3,400	80	
$35,000	4,590	4,450	140	
$40,000	5,800	5,620	180	
$45,000	7,140	6,955	185	
$50,000	8,600	8,410	190	
$55,000	10,190	9,985	205	
$60,000	11,900	11,680	220	
$65,000	13,740	13,495	245	
$70,000	15,700	15,445	255	
$75,000	17,790	17,530	260	
$80,000	20,000	19,735	265	
$85,000	22,340	22,085	255	
$90,000	24,800	24,535	265	
$95,000	27,390	27,110	280	
$100,000	30,100	29,810	290	
$125,000	44,100	43,760	340	
$150,000	58,100	57,760	340	
$175,000	72,350	71,985	365	
$200,000	86,600	86,235	365	
$250,000	115,600	115,210	390	
$300,000	144,600	144,210	390	
$400,000	203,600	203,185	415	
$500,000	263,600	263,160	440	
$600,000	324,600	324,135	465	
$700,000	385,600	385,135	465	
$800,000	447,100	446,610	490	
$900,000	509,100	508,610	490	
$1,000,000	571,100	570,610	490	
$2,000,000	1,201,100	1,200,585	515	

WHOLLY FROM TAXABLE INTEREST

$1,000	$0	$0		
$1,500	20	20		
$2,000	40	40		
$2,500	60	60		
$3,000	80	80		
$3,500	100	100		
$4,000	120	120		

[10] *New Jersey* v. *Wilson* (7 Cranch 164 (1812), 167); *State Bank of Ohio* v. *Knoop* (16 Howard, 369 (December term, 1853), 380); *Macallen* v. *Massachusetts* (279 U.S. 620, 634).

[11] S.Doc. 154, 68th Cong., 1st sess, p. 285.

[12] Tax Burdens and Exemptions, National Industrial Board, p. 122.

[13] Tax-Exempt Securities, Senate hearings, 1922, p. 102.

[14] Alexander Hamilton, Report on the Public Credit, 1795; Magazine of Wall Street, vol. 32, p. 1091; C. O. Hardy, Tax-Exempt Securities and the Surtax, pp. 84–86; CONGRESSIONAL RECORD, 67th Cong. 4th sess., pp. 2255, 2277; Senate Hearings, 1922, pp. 24, 45, 97.

[15] Wall Street Journal, Nov. 12, 1927, p. 11; National Industrial Conference Board, op. cit., p. 122; House Hearings, 1922, p. 11.

[16] Senate Hearings, p. 23; CONGRESSIONAL RECORD, 67th Cong. 4th sess., p. 2277; National Industrial Conference Board, p. 111.

[17] House hearings, 1922, p. 36.

[18] CONGRESSIONAL RECORD, 67th Cong., 4th sess., p. 2277.

[19] Ibid., p. 1247.

[20] New York Times, Feb. 12, 1933, sec. 2, p. 7.

[21] National Industrial Conference Board, p. 122; CONGRESSIONAL RECORD, 67th Cong., 4th sess., p. 2277; House hearings, 1922, pp. 8, 9.

[22] Wall Street Journal, Nov. 12, 1927, p. 11.

[23] CONGRESSIONAL RECORD, 67th Cong., 4th sess., p. 2277.

[24] Hardy, p. 131.

[25] Magazine of Wall Street, vol. 32, p. 1091.

Income tax on individuals—Present and proposed taxes—Continued

WHOLLY FROM TAXABLE INTEREST—continued

Income	Present law	Proposed	Reduction	Increase
$4,500	$140	$140		
$5,000	160	160		
$6,000	240	240		
$7,000	330	320	$10	
$8,000	420	410	10	
$9,000	510	500	10	
$10,000	600	600		
$12,000	800	820		$20
$14,000	1,020	1,060		40
$16,000	1,260	1,320		60
$18,000	1,520	1,600		80
$20,000	1,800	1,900		100
$22,000	2,120	2,220		100
$24,000	2,460	2,560		100
$26,000	2,820	2,920		100
$28,000	3,200	3,300		100
$30,000	3,600	3,700		100
$35,000	4,710	4,780		70
$40,000	5,920	6,010		90
$45,000	7,260	7,360		100
$50,000	8,720	8,860		140
$55,000	10,310	10,480		170
$60,000	12,020	12,220		200
$65,000	13,860	14,080		220
$70,000	15,820	16,060		240
$75,000	17,910	18,160		250
$80,000	20,120	20,410		290
$85,000	22,460	22,820		360
$90,000	24,920	25,270		350
$95,000	27,510	27,920		410
$100,000	30,220	30,620		400
$125,000	44,220	44,600		380
$150,000	58,220	58,600		380
$175,000	72,470	72,840		370
$200,000	86,720	87,090		370
$250,000	115,720	116,080		360
$300,000	144,720	145,080		360
$400,000	203,720	204,070		350
$500,000	263,720	264,060		340
$600,000	324,720	325,050		330
$700,000	385,720	386,050		330
$800,000	447,220	447,540		320
$900,000	509,220	509,540		320
$1,000,000	571,220	571,540		320
$2,000,000	1,201,220	1,201,530		310

MARRIED PERSONS WITH ALL INCOME FROM DIVIDENDS OR PARTIALLY TAX-EXEMPT BONDS

$1,000	$0	$0		
$1,500	0	0		
$2,000	0	0		
$2,500	0	0		
$3,000	0	0		
$3,500	0	0		
$4,000	0	0		
$4,500	0	0		
$5,000	0	0		
$6,000	0	0		
$7,000	10	20		$10
$8,000	20	60		40
$9,000	30	105		75
$10,000	40	155		110
$12,000	80	270		190
$14,000	140	420		280
$16,000	220	580		365
$18,000	320	770		450
$20,000	440	970		530
$22,000	600	1,200		600
$24,000	780	1,440		660
$26,000	980	1,710		730
$28,000	1,200	1,990		790
$30,000	1,440	2,300		860
$35,000	2,150	3,150		1,000
$40,000	2,960	4,120		1,160
$45,000	3,900	5,255		1,355
$50,000	4,960	6,510		1,550
$55,000	6,150	7,885		1,735
$60,000	7,460	9,380		1,920
$65,000	8,900	10,995		2,095
$70,000	10,460	12,745		2,285
$75,000	12,150	14,630		2,480
$80,000	13,960	16,635		2,675
$85,000	15,900	18,785		2,885
$90,000	17,960	21,035		3,075
$95,000	20,150	23,410		3,260
$100,000	22,460	25,910		3,450
$125,000	34,460	38,860		4,400
$150,000	46,460	51,860		5,400
$175,000	58,710	65,085		6,375
$200,000	70,960	78,335		7,375
$250,000	95,960	105,310		9,350
$300,000	120,960	132,310		11,350
$400,000	171,960	187,285		15,325
$500,000	223,960	243,260		19,300
$600,000	276,960	300,235		23,275
$700,000	329,960	357,235		27,275
$800,000	383,460	414,710		31,250
$900,000	437,460	472,710		35,250
$1,000,000	491,460	530,710		39,250
$2,000,000	1,041,460	1,201,685		79,225

Income tax on individuals—Present and proposed taxes—Continued

SINGLE PERSON WITH ALL INCOME FROM DIVIDENDS OR PARTIALLY TAX-EXEMPT BONDS

Income	Present law	Proposed	Reduction	Increase
$1,000	$0	$0		
$1,500	0	0		
$2,000	0	0		
$2,500	0	0		
$3,000	0	0		
$3,500	0	0		
$4,000	0	0		
$4,500	0	0		
$5,000	0	0		
$6,000	0	40		$40
$7,000	10	80		70
$8,000	20	130		110
$9,000	30	180		150
$10,000	40	240		200
$12,000	80	380		300
$14,000	140	540		400
$16,000	220	720		500
$18,000	320	920		600
$20,000	440	1,140		700
$22,000	600	1,380		780
$24,000	780	1,640		860
$26,000	980	1,920		940
$28,000	1,200	2,220		1,020
$30,000	1,440	2,540		1,140
$35,000	2,150	3,420		1,270
$40,000	2,960	4,450		1,490
$45,000	3,900	5,600		1,700
$50,000	4,960	6,900		1,940
$55,000	6,150	8,320		2,170
$60,000	7,460	9,860		2,400
$65,000	8,900	11,520		2,620
$70,000	10,460	13,300		2,840
$75,000	12,150	15,200		3,050
$80,000	13,960	17,250		3,290
$85,000	15,900	19,460		3,560
$90,000	17,960	21,710		3,750
$95,000	20,150	24,160		4,010
$100,000	22,460	26,660		4,200
$125,000	34,460	39,640		5,180
$150,000	46,460	52,640		6,180
$175,000	58,710	65,880		7,170
$200,000	70,960	79,130		8,170
$250,000	95,960	106,120		10,160
$300,000	120,960	133,120		12,160
$400,000	171,960	188,110		16,150
$500,000	223,960	244,100		20,140
$600,000	276,960	301,090		24,130
$700,000	329,960	358,090		28,130
$800,000	383,460	415,580		32,120
$900,000	437,460	473,580		36,120
$1,000,000	491,460	531,580		40,120
$2,000,000	1,041,460	1,121,570		80,110

EXHIBIT B

Securities of foreign governments exempt from income tax

ENGLAND

[Conversion at Federal Reserve buying rate for Oct. 11, 1933, £1=$4.65]

Loan	Amount outstanding	Form of exemption
Victory bonds, 4 percent, of 1919.	£332,522,445	Exempt from all British taxation if beneficial ownership of persons neither domiciled nor ordinarily resident in Great Britain.
Funding loan, 4 percent, of 1919.	370,952,309	Do.
Conversion loan, 3½ percent, of 1931.	750,318,719	Interest not exceeding £5 per annum paid without deduction for income tax.
Consolidated 4-percent loan of 1927.	403,392,119	Do.
Total	[1] 1,857,185,592	

[1] Total equivalent in dollars: £1,857,185,592, at $4.65=$8,625,913,022.80.

EXHIBIT C

Securities of foreign governments exempt from local income tax

FRANCE

[Conversions at Federal Reserve buying rates for Oct. 11, 1933: 1 franc=5.86 cents, 1 Swiss franc=29 cents]

Loan	Amount outstanding	Form of exemption
	Francs	
3-percent redeemable rentes of 1878, 1881, 1884.	2,366,463,500	Exempt from all French taxes.
20-year external 5½-percent gold bonds of 1917.	[2] 2,110,000	Exempt from all present or future French taxes.
5-percent premium loan of 1920 (Victory loan).	10,894,191,200	Exempt from all French taxes as regards principal, premium, and interest.

[1] U. S. dollars.

EXHIBIT C—Continued

Securities of foreign governments exempt from local income tax—Continued

FRANCE—continued

Loan	Amount outstanding	Form of exemption
	Francs	
External 7½-percent loan of 1921.	[1]48,957,500	Principal and interest payable without deduction for any present or future French taxes.
Credit national 6-percent loan of July 1922.	920,000,000	Exempt from all French taxation.
Credit national 6-percent lottery loan of January 1933.	2,965,000,000	Exempt from French taxation.
Credit national 6-percent lottery loan of 1924.	1,542,000,000	Bonds are exempt from all French taxation.
Internal 5-percent Treasury loan of 1924.	4,540,000,000	Interest and premium exempt from French income taxes.
25-year sinking fund external 7-percent gold loan of 1924.	[1]70,740,900	Principal and interest payable without deduction for any present or future French taxes.
4-percent perpetual rentes of 1925.	5,838,708,000	Free of French taxes.
Caisse autonome 4½ percent of 1929.	7,437,688,000	Do.
Credit national 5 percent of 1932.	200,000,000	Tax free.
Railway 5 percent of 1932	[2]139,600,000	Principal and interest payable free of all present and future French taxes.
REPUBLIC OF FRANCE		
	Francs	
7-percent Treasury loan of 1926.	880,983,500	Exempt from income tax.
Post Telephone and Telegraph:		
5's of 1928	2,100,000,000	Do.
4½'s of 1929	558,000,000	Do.
4's of 1932	2,600,000,000	Do.

	Total	Equivalent in dollars
French francs	42,843,034,200	$2,510,914,971
Dollars	121,808,400	121,808,400
Swiss francs	139,600,000	40,484,000
		2,673,207,371

[1] U. S. dollars.
[2] Swiss francs.

NOTE.—In addition to the issues listed, 31 provincial and municipal issues are also exempt from the French income tax.

EXHIBIT D

Securities of foreign governments exempt from local income tax[1]

GERMANY

[Conversions made at the Federal Reserve buying rates for Oct. 11, 1933]

Loan		Amount outstanding	Form of exemption
External 7-percent loan of 1924:			
American issue		$70,597,600	Principal and interest payable without deduction for any present or future German taxes.
Great Britain	£9,999,100		
France	2,465,200		
Switzerland	1,959,400		
Holland	2,085,600		
Belgium	1,237,000		
Germany	263,000		
	17,871,300	83,101,545	
Switzerland	franc 12,400,000	3,598,610	
Italy	lire 82,863,000	6,521,318	
Sweden	kroner 21,113,000	5,067,120	
Total		168,886,193	
German Government 7-percent (now 6 percent) loan of 1929 (reichsmarks).		183,004,000	Free of income tax, inheritance tax, and coupon tax.
German Government gold 5½-percent internal loan of 1930:			
American issue		$93,089,500	
France (francs)	2,406,492,000	93,089,500	
Great Britain (pounds)	11,390,600	141,020,431	
Holland (florins)	68,932,700	52,966,290	
Sweden (kroner)	104,332,000	41,656,030	
Switzerland (francs)	87,302,000	25,039,680	
Germany (reichsmarks)	34,467,000	25,317,580	
Italy (lire)	105,261,000	12,311,612	
Belgium (belga)	33,263,400	8,284,040	

[1] Guaranteed unconditionally as to principal, sinking fund, premium and interest jointly and severally by the German Government and by the State of Bavaria.

EXHIBIT D—Continued

Securities of foreign governments exempt, etc.—Continued

GERMANY—continued

Loan		Amount outstanding	Form of exemption
External 7 percent loan of 1924:			
American issue		$70,597,600	Principal and interest payable without deduction for any present or future German taxes.
Great Britain	£9,999,100		
France	2,465,200		
Switzerland	1,959,400		
Holland	2,085,600		
Belgium	1,237,000		
Germany	263,000		
	17,871,300	83,101,545	
Switzerland (franc)	12,409,000	3,598,610	
Italy (lire)	82,863,000	6,521,318	
Sweden (kroner)	21,113,000	5,067,120	
Total		168,886,193	
German Government 7-percent (now 6 percent) loan of 1929 (reichsmarks).		183,004,000	Free of income tax, inheritance tax, and coupon tax.
German Government gold 5½-percent internal loan of 1930:			
American issue		$93,089,500	Principal and interest payable without deduction for any present or future German tax.
France (francs)	2,406,492,000	141,020,431	
Great Britain (pounds)	11,390,600	52,966,290	
Holland (florins)	68,932,700	41,656,030	
Sweden (kroner)	104,332,000	25,039,680	
Switzerland (francs)	87,302,000	25,317,580	
Germany (reichsmarks)	34,467,000	12,311,612	
Italy (lire)	105,261,000	8,284,040	
Belgium (belga)	33,263,400	6,952,050	
Total		406,637,213	
German Government external 6-percent gold loan of 1930.		125,000,000	Free of all present or future German taxes.
Rhine, Main, Danube Corporation 7-percent external gold debentures of 1925.[1]		5,044,500	Free of German taxes.

	Total	Equivalent in dollars
Reichsmarks	183,004,000	$65,369,028
Dollars		705,567,906
Total		770,936,934

[1] Guaranteed unconditionally as to principal, sinking fund, premium and interest jointly and severally by the German Government and by the State of Bavaria.

NOTE.—In addition to the above, 48 provincial, municipal, and miscellaneous issues are also exempt from the German income tax.

EXHIBIT E

ITALY

Securities of foreign governments exempt from local income tax

[Conversions made at the Federal Reserve buying rates for Oct. 11, 1933]

Loan	Amount outstanding	Form of exemption
KINGDOM OF ITALY		
	Lire	
4½-percent loans of 1914–15	249,675,600	Exempt from all Italian taxation.
5-percent loan of 1916	1,245,329,600	Exempt from all Italian taxation, present and future.
5-percent rentes of 1920	33,217,808,400	Do.
9-year 4¾–5-percent Treasury bonds of 1922–25.	2,985,635,000	Do.
External 7-percent gold loan of 1925.	[1]87,019,000	Principal and interest payable without deduction for any present or future Italian taxes.
Internal 5-percent loan of 1927	28,612,829,600	Exempt from all Italian taxation.
9-year Treasury bonds of 1931	9,000,000,000	Exempt from all present and future taxation.

	Total	Equivalent in dollars
Lire	75,311,278,200	$5,926,997,594
Dollars	87,019,000	87,019,000
Total		6,014,016,594

[1] U. S. dollars.

NOTE.—In addition to the above, 4 municipal and miscellaneous issues are also exempt from the Italian income tax.

EXHIBIT E

Securities of foreign governments exempt from local income tax

BELGIUM

[Conversions at Federal Reserve buying rates for Oct. 11, 1933]

Loan	Amount outstanding	Form of exemption
Kingdom of Belgium:		
Sterling 3-percent loan, 1914—pounds	4,293,600	Exempt from all Belgian taxes.
National restoration, internal 5-percent loan, 1919—francs	1,582,709,700	Free of tax.
Internal premium, 5-percent loan, 1919—francs	2,396,719,000	Do.
Lottery 4-percent loan of 1921—francs	998,775,000	Exempt from Belgian taxation.
Internal 6-percent loan of 1924—francs	1,077,620,000	Do.
External 25-year 6½-percent gold loan of 1924—dollars	25,788,000	Principal and interest payable without deduction for any present or future Belgian taxes.
30-year external sinking fund 6-percent gold loan of 1924—dollars	36,368,100	Do.
30-year external sinking-fund 7-percent gold loan of 1925—dollars	45,538,000	Free of Belgian taxes.
Internal 6-percent loan of 1925—francs	296,350,000	Free of tax.
External 30-year sinking-fund 7-percent stabilization loan of 1926		Free of Belgian taxes present and future.
American shares—dollars	47,260,500	
English and Dutch—pounds	8,033,600	
Switzerland—francs	30,630,000	
Sweden—kronor	8,622,000	
Internal 6-percent loan of 1927—francs	125,890,000	Exempt from all Belgian taxation.
External loan 4-percent of 1930—florins	45,000,000	Free of Belgian taxation.
Internal 5-percent loan of 1931—francs	1,000,000,000	Free of any present or future Belgian State, provincial, or commercial taxes.
Internal treasury 5-percent of 1932—francs	830,000,000	Interest, principal, and premium payable without deduction for present and future taxes of the State, the Provinces, and the communities.

	Total	Equivalent in dollars
Belgian francs	8,308,063,700	$347,277,062
Dollars	154,954,600	154,954,600
British pounds	12,326,600	57,318,690
Swiss francs	30,630,000	8,882,700
Swedish kronor	8,622,000	2,069,280
Dutch florins	45,000,000	27,193,500
Total		597,695,832

NOTE.—In addition to the above, 9 provincial, municipal, and miscellaneous issues are also exempt from the Belgian income tax.

EXHIBIT G

Securities of foreign governments exempt from local income tax

SWITZERLAND

[Conversions made at the Federal Reserve buying rates for Oct. 11, 1933]

Loan	Amount outstanding	Form of exemption
Swiss Federal Railways:	*Swiss francs*	
3-percent rentes of 1890	69,333,000	Exempt from all Swiss taxation.
3½-percent loan of 1899-1902, series A-K.	393,600,000	Do.
4-percent loan of 1900	75,000,000	Do.
3-percent loan of 1903	117,910,000	Do.
3½-percent loan of 1910	70,000,000	Do.
4-percent loan of 1912-14	132,350,000	Do.
Swiss Confederation:		
3-percent loan of 1903	45,030,000	Exempt from actual coupon tax.
3½-percent loan of 1909	20,240,000	Exempt from all Swiss taxation.
4-percent loan of 1913	3,750,000	Do.
4½-percent loan of 1915	86,854,000	Do.
External 5½-percent gold loan of 1924.	[1]30,000,000	Do.

	Total	Equivalent in dollars
Swiss francs	1,016,067,000	$294,659,430
Dollars	30,000,000	30,000,000
Total		324,659,430

[1] U. S. dollars.

NOTE.—In addition to the above, 6 municipal and miscellaneous issues are also exempt from the Swiss income tax.

NATIONAL RECOVERY PROGRAM—ADDRESS BY SENATOR WHEELER

Mr. RUSSELL. Mr. President, I ask unanimous consent to have printed in the RECORD a radio address delivered by the senior Senator from Montana [Mr. WHEELER] on the evening of January 6.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

Ladies and gentlemen of the radio audience, President Roosevelt made good his promise to the American people to put 4,000,000 men to work under the C.W.A. program by December 15. The next step is to get them off the C.W.A. These workers must be transferred to industrial pay rolls before there can be sound prosperity.

Both the Civil and Public Works programs are predicated on the assumption that by putting buying power into the hands of those at the bottom of the economic heap, which includes unemployed workers and farmers, industry will be stimulated sufficiently to absorb these surplus workers into established enterprises. Whether the administration measures eventually will succeed in reemployment of men in legitimate industries remains to be seen.

The financial crisis now affecting the world cannot but constitute a starting point for future economic systems. The past cannot, nor should it, be revived. The monetary system which has endured up to the year 1929 has turned out to be a complete failure, and the crisis now crushing down the means of our existence—that is, commercial transactions, financial exchange, and production and consumption—is an inevitable consequence of the failure of the gold standard to which the international bankers and their satellites have been wedded. It would be madness to attempt to go back to the same old methods. The gold standard, as the sole basis for a currency and as the universal measure of values, is what brought the world down to its present state of exhaustion. The World War was nothing more than one of its consequences. Inflation, overproduction, and lack of markets, the disasters caused by the deflation and lack of confidence now taking place and prevailing, are likewise logical and unavoidable consequences. People may say what they will—the present acute depression is solely financial in origin; any other causes are merely secondary or concurrent.

We must leave the past behind us as an historical element and must now and in the future resort to the remodeling of systems we already know and to the application of new methods to a new economic organization; if this be not done and an attempt be made to uphold to the uttermost a structure so insecure, total collapse will become imminent and be irresistible.

For several years now I have been trying to arouse the American people to the dangerous competition from countries with depreciated currencies based on low-priced silver. I have tried in season and out of season to convince the American manufacturer and the American farmer that the depreciated currencies of our competitors in silver-using countries was a great handicap to American producers.

I have watched oriental countries capture our foreign textile markets and invade our home market because their lower production costs, due to their depreciated currencies and low-priced silver, enabled them to offer their goods at a price far below our cost of production.

When Japan went off the gold standard, the yen depreciated 60 percent. This lowered her production costs accordingly and gave her an advantage over gold-standard countries that soon manifested itself by a tremendous increase in her textile export trade.

I obtained the following figures from the United States Department of Commerce: In 1912 the number of cotton spindles in Japan was 2,177,000, and in 1932, 7,965,000. In 1912 Japan had 22,000 looms and in 1932 had 79,000. During this same 20-year period from 1912 to 1932 her exports of cotton goods increased as follows: Number of yards exported to China in 1912 was 168 million and in 1932, 194 million. This increase was not very great, due to the fact that China was also developing her textile industry during this same period of time. But let us see what happened in other countries.

In 1912 Japan exported to India 8 million square yards and in 1932, 645 million square yards. During this same period of 20 years her exports to East India increased from 2 million yards to 352 million yards, and to Egypt the increase was from 36 thousand yards to 195 million yards; in Australia the increase was from 3 million yards to 36 million yards; in the Philippines from 5 million yards to 21 million; and to South America from 76 thousand yards in 1912 to 27 million in 1932.

In China the number of spindles in 1915 was 1,009,000 and in 1932 had increased to 4,612,000, while during this same period the number of looms in China increased from 4,564 to 40,000, while the increase in the production of cotton yarn was about 225 million pounds in 1915 to about 933 million pounds in 1932, and her increase in the production of cotton cloth was from 50 million yards in 1915 to 800 million yards in 1932.

In India the increase in production in the textile industry was not as pronounced as in China or Japan, yet we have a considerable development. The number of spindles in India in 1912 was 6,464,000, and in 1932, 9,506,000; the number of looms was 89,000 in 1912, and 186,000 in 1932. The production of cotton yarn in India was 688,000,000 pounds in 1912, and in 1932, 1,016,000,000 pounds. The production of cotton cloth increased from 2,350,000,000 yards in 1912 to 4,670,000,000 yards in 1932.

During this same time American exports of cotton cloth decreased as follows: To British India from 13,748,000 yards in 1913 to only 2,048,000 yards in 1932; to China our exports decreased from 80,462,000 square yards in 1913 to 1,420,000 yards in 1932.

There are some so-called "economists" who claim that the demonetization of silver did not materially affect our foreign commerce because nations try to balance their imports with their exports. The fallacy of this is apparent when we study the above figures furnished by the Department of Commerce. No juggling of figures or economic theories can alter the fact that low production costs in the Orient are driving our textile manufacturers out of the world markets and threatening to capture our home market as well.

Because of the importance of this question of depreciated currency and the commercial advantage gained thereby, I wish to quote briefly some statements bearing on this phase of the problem.

Mr. H. D. Harriman, president of the Chamber of Commerce of the United States, in a letter of December 16, 1932, points out the harmful effects upon our commerce of the depreciated currencies of other nations.

He writes: "Depreciated foreign currencies have been exerting an undermining influence upon our economic situation. First, by negativing our tariffs so that in our home markets American goods have been displaced, factory output cut down, and unemployment increased; second, by depressing price levels and preventing any upward price movement to a basis of fair return for American labor and capital * * *. Over half of the products coming into the United States are benefiting from the advantage of depreciated currencies. Over 20 foreign countries have that advantage in undercutting the prices of American products."

While Mr. Harriman undoubtedly had in mind depreciated currencies in European countries, the low price of silver means to silver-using countries the same thing as depreciated currencies in other countries.

President Roosevelt by his plan to purchase gold in the open market has corrected the advantage that Great Britain and other European countries had over the United States in the world market on account of their depreciated currencies, but nothing has thus far been done to correct the loss of our trade by reason of the depreciated currencies in silver-using countries.

Mr. Denny, one of the leading economists of Great Britain, has this to say: "In countries where silver is the currency, as for instance in China, where the drop in silver between the year 1926 and 1931 is approximately 50 percent, he would have to pay twice as much in his silver money as he would have done in 1926, or, expressed in goods, he would have to produce twice the quantity to pay for goods purchased in the United States.

"It will be seen at once, therefore, that the greater the departure of the currency of a country from the gold standard, the more difficult it becomes for that country to deal with another country which remains on it. Contrariwise, two countries which have both left it may find that their position relative to each other is practically unchanged, and naturally the tendency would be in such cases for those countries to deal with each other rather than with the gold-standard countries."

As a striking example of this fact appears the Associated Press dispatch in the Washington Star of January 4, 1934, to this effect:

"The United States may expect a restricted market for its raw cotton in Japan this year as a result of an Indo-Japanese commercial agreement obligating Japan to buy 1,500,000 bales of Indian raw cotton annually.

"This is in return for exportation of 400 million square yards of Japanese cotton textiles to India each year."

By reason of the depreciated currencies of Japan and China they are able to undersell the textile manufacturers of the United States on the one hand, and, on the other, they are able to buy their raw cotton in India at a cheaper price than it is possible for it to be produced in the United States. In this respect the loss falls not only on the textile manufacturer of this country but on the cotton farmer as well.

It has been argued on the floor of the Senate by those who have been opposed to the free coinage of both gold and silver at a definite fixed ratio that what we lost in manufactured products in the Orient we gained by the sale of our raw materials.

I have always contended that the low price of silver would not only increase the number of spindles in the manufacturing plants in the Orient but it would likewise force those countries into the production of raw materials, as they could not long afford to buy raw materials from a gold-standard country.

The President recognized this situation when he, by his silver proclamation, entered upon the policy of buying newly mined American silver; but the effect of that was not, I am sure, what the President expected it to be, because the purchase of newly mined silver could not and did not affect the world price of silver, and consequently did not affect the world price of commodities. The President's proclamation amounted only to giving a subsidy to the silver-mining companies of America for newly mined silver; but if you remonetized silver under my bill, you would not only increase the purchasing power of the people of silver-using countries but the value of all property in those countries in terms of money would increase many times.

Can you calculate what this would amount to if it happened in the United States? And then remember that the population of Asia, Mexico, and South America, silver-using countries, is nine times as great. Also ask yourself what the capital exports might amount to to develop these countries all in the shape of manufactures and construction material if silver, instead of fluctuating 50 percent a year in price as a commodity, were tied to gold at a ratio never again to change in value.

I can give you a striking example of what would happen. Between 1880 and 1890 all the railroads and many other works in Argentina were constructed with British capital, and this brought a wave of prosperity which culminated in a great boom in British railroad and industrial stocks in 1888 and 1889. Yet the population of Argentina at that time was only 6,000,000.

If this was the result of supplying the needs of 6,000,000 people, what might it be from supplying the needs of the 1,130,000,000, 200 times as many, of the silver-using countries? I am informed that the total exports to these countries in 1929 and 1930 were $1,250,000,000 and in 1931–32 they had shrunk to $490,000,000, which represents a paltry 44 cents a head for these 1,130,000,000 customers. I estimate that the purchases of these people would be many times what they are now.

It has been estimated by some that their purchases would be 100 times what they are today; but assume for the sake of argument that they were only 10 times, it would mean $5,000,000,000 coming into this country instead of the miserable present $490,000,000, which is all that can be squeezed from two thirds of the world, starved and reduced to misery by the actions of those who destroyed our silver and who today control the economic destinies of the world.

Not a week passes now without the announcement of further heavy expenditures to provide employment, which is piling up the burden on industries and on the taxpayers. This is becoming a most serious matter as you can see for yourself. If this situation continues to exist, it spells bankruptcy for many concerns and thus employment will further be displaced.

Why should we insist upon forcing these sacrifices on the American people? Why not let the people of the silver-using countries buy our products, take our working men off the dole, and reduce our tax burden to our own people, create a market for our surplus wheat, hogs, and cotton, and bring happiness and contentment to our people where misery stalks today?

I am interested in the remonetization of silver because it will help humanity; it will help bring us out of this debacle in which we find ourselves today; it will stabilize the currencies of the world and do away with the uncertainty caused by the fluctuation of the currencies that is taking place at this moment. Those who are advocating the rehabilitation of silver as a favored commodity, seem to overlook entirely the fact that silver must be monetized not to help some silver producer but to create more primary money upon which the credit structure of the world is based. In 1929 the world's credit structure tumbled because of the fact that there was not sufficient gold in the world to uphold this structure and because of its maldistribution. Unless you monetize silver, bank credits to any extent cannot be based on it. Remonetize it under my bill, and you not only double the purchasing power of the silver-using countries to the extent of the silver they have, but you increase their buying power many times because of the fact that credit can be then based upon silver money as well as gold. Remonetize silver, and you take our unemployed workers off the streets, off the C.W.A. rolls, and put them back into the industries of the country.

SUCCESS OF N.R.A. ACTIVITIES

Mr. FLETCHER. Mr. President, I ask unanimous consent to have printed in the RECORD a letter signed by Oliver Cabana, Jr., president of the Liquid Veneer Corporation, of Buffalo, N.Y., setting forth his views as to the success of the activities of the N.R.A.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

LIQUID VENEER CORPORATION,
Buffalo, N.Y., January 12, 1934.

Hon. DUNCAN U. FLETCHER,
Washington, D.C.

DEAR SENATOR FLETCHER: We are so strongly convinced that the N.R.A. is rapidly bringing about business recovery, as reflected in the reports from our salesmen and from other reliable sources, that we are circulating the enclosed pamphlet in all of the packages of goods shipped from our factories.

We expect in time to reach about 250,000 retailers, over 3,000 wholesalers, and a large number of consumers.

The evidences of recovery are so pronounced, the indications are so strong that the improvement is largely due to the N.R.A., and the plan is so well on its way, that we believe it would be a public calamity to impede it in any way at this time. We are all very much in favor of it, and we hope that your influence will be thrown strongly in favor of its continuation when occasion arises.

The writer observes a distinct improvement in all the various businesses which he is heavily interested in, the principal ones being the banking business; Liquid Veneer Corporation, Buffalo, N.Y.; Pure Penn Petroleum Co., Titusville, Pa.; Le Suer Oil Corporation, Bolivar, N.Y.; G. A. Hosmer Oil Co., Buffalo, N.Y.; Samuel C. Rogers & Co., Buffalo, N.Y.; Sun-Diet Health Foundation, East Aurora, N.Y.; Buffalo Specialty Co., Buffalo, N.Y.; Central Park Clinic, Buffalo, N.Y.; Peerless Belting Co., Inc., Garden-

ville, N.Y.; and the Wright-Hargreaves Mines, Ltd., Kirkland Lake, Ontario.

Hoping this information may prove helpful and that you are in accord with our views in the matter, we are,

Sincerely yours,

OLIVER CABANA, Jr., *President.*

THE RECONSTRUCTION OF MONEY—ARTICLE BY WALTER LIPPMANN

Mr. COSTIGAN. Mr. President, I ask unanimous consent to have incorporated in the RECORD an article in today's New York Herald Tribune by the noted author, Walter Lippmann, based on President Roosevelt's monetary message of January 15, 1934.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune, Jan. 16, 1934]

TODAY AND TOMORROW—THE RECONSTRUCTION OF MONEY

By Walter Lippmann

The President's proposals contain so many technical implications that I do not feel able to discuss them after having had only a few hours to think about them. Offhand, it would appear, however, that what he has done is to keep himself uncommitted as to a permanent solution of the monetary problem, while taking two definite measures for the immediate management of the dollar.

The first of these measures aims at a tentative stabilization of the dollar within wide limits—between 50 and 60 cents gold. The second establishes an equalization fund to keep the dollar within those limits by buying and selling gold and foreign exchange. This fund is to come from the capture of the gold profit of the Federal Reserve System and the Treasury. The profit arises from the fact that the official price of gold is raised from about $20 an ounce to at least $34 an ounce.

The decision to use this fund from the gold profit primarily as an equalization fund, and not as a whole, at any rate, to finance the deficit, is in itself very important. If I interpret it correctly, this decision means that the President is not letting this great fund of three to four billions find its way into the banking system, where it would swell excess reserves to a point at which credit inflation would be difficult, if not impossible, to control.

So it may be said that the President is proceeding on the principle of keeping the dollar under control—externally by means of an equalization fund, internally by keeping the excess reserves of the banking system in a form and within limits where credit can be managed by the normal methods of credit expansion and contraction.

All of this, as the President makes clear, is only a step, and a tentative step at that, toward "an ultimate world-wide solution." That solution is not yet in sight. It may be useful, however, to attempt to state the nature of the problem which calls for solution.

The practical difficulties of restoring the international gold standard and the dangers of restoring it in its old form are perhaps not fully appreciated among those who look upon themselves as the guardians of sound money. Yet we have just witnessed the break-down of that standard less than 3 years after it had been reestablished, and it is difficult to see how responsible statesmen and financiers can advocate a second restoration until and unless they are reasonably certain that the causes of the recent break-down have been cured.

It is probably more difficult to restore the international gold standard today than it was in 1925. For since that time the bulk of the world's monetary gold has been accumulated and sterilized in three countries. There are about 23,000 tons of gold in the world, and about 18,000 of them are held in the United States, France, and Great Britain. Obviously, these three great gold-holding countries have got somehow to redistribute their gold if there is to be an international gold standard. How is this to be done? How are Japan and Germany and central Europe and South America and Australia and India to get enough of this gold to set up true gold currencies with gold reserves? Obviously no one in France, England, and America is going to present the Japanese and the Germans and the Argentineans and all the rest of them with their fair share of the world's small stock of gold. Nowhere does devotion to the gold standard go to the length of contemplating free gifts of gold to countries which lack it.

But if the gold is not given away, then those who lack gold must borrow it or must buy it. But who in London, Paris, or New York wants to lend gold to countries that lack it? The reason they have lost their gold is that they already owe more than they can pay. The only other way they could get gold is to buy it by exporting more goods than they import. They could do this by depreciating their currencies. But this would mean that Britain, France, and the United States would have to stand by and let their foreign trade be undercut by the debtor countries and their home markets flooded by cheap imports.

Political human nature will not stand that. Therefore the gold which is now cornered in these countries cannot be redistributed as a gift; it cannot be borrowed or bought by the debtor countries except by threatening the trade of the creditor countries.

Some observers, notably Mr. L. L. B. Angas in his extraordinarily interesting pamphlet on the Coming Collapse in Gold, have concluded that the practical difficulties of redistributing the gold and of keeping it distributed are insuperable. They prophesy the abandonment of gold and advocate the continuation permanently of what now exists in three quarters of the commercial world, that is, managed paper currencies. This is a conclusion which most men will be extremely reluctant to accept. The President has made it clear in his message that he does not accept it. For while it is indisputable that all modern currencies are, and necessarily must be, managed, it seems extremely dangerous, in view of the limitations of human wisdom and disinterestedness, not to have some metallic measure which restricts somewhat the discretion of those who manage money.

But anyone who is conservative enough to desire a metallic control of money must be bold enough to recognize that gold as it is now distributed and the gold standard as operated since the war offer no hope whatever. The basic reason is that while the gold standard controls national currencies this control is tolerable only if the gold standard itself is wisely and effectively managed. Before the war the single gold standard worked well from about 1896 to 1914. That was its best period. In that time there was a plentiful supply of new gold and the gold standard was well managed from London. Since the war nobody has managed the gold standard effectively or well, and there has been no great supply of new gold. The upshot is that most of the world is off the gold standard, and most of the gold of the world lies sterile in Paris, New York, and London.

The restoration of an international metallic standard would, therefore, seem to require two things. One is the breaking of what has been called the "corner in gold", that is to say a deliberate reduction of the value of gold so that those who have cornered it and hoarded it will wish to sell it, and so get it distributed. The other is the establishment of a method of holding the lowered value of gold steady so that nations returning to gold will not thereafter be subjected to violent deflations or violent inflations.

The real question for all monetary conservatives, among whom the President must clearly be included—for all who want metallic money and not completely managed paper money—is this: By what device can gold be made less valuable and its value then stabilized? For until gold itself is stabilized, no one who understands this question will wish to stabilize the dollar permanently on gold. Well, what is it that gives gold its value? Its beauty? In some measure. But there are more beautiful metals than gold. Its utility? It is not very useful. The chief reason why gold is so valuable is that in all the civilized countries of the West it can always be sold at a fixed price. When the mints are open nobody need fear that he cannot sell his gold. In other words, the greatest value of gold is due to the fact that it is legal money at a statutory price for a fixed quantity. This makes it a universal means of storing wealth. Without that, were gold demonetized as silver has been in the West, its value would fall to what people would pay for it to fill their teeth and to make jewelry and other industrial products.

If we do not wish to demonetize gold, but do wish to reduce its value and then regulate its value, it follows that we must do something to its monetary position. For it is its monetary position that gives gold its chief value by creating an unlimited demand. Now, to reduce the value of anything you have either to reduce the demand or increase the supply. To regulate its value you have to control effectively either the demand or the supply. But it is impossible to do very much about the demand, though some of the reformers think they can do something. The President seems to share their view in that he proposes to stop entirely the circulation of gold coins. This reduces demand, no doubt, but it does not control demand.

But the supply it may be possible to control because it is such a small supply. The two possible ways of controlling it are, first, by varying the gold content of currencies in each country, and, second, by reestablishing silver and treating it by law as an equivalent for gold. The first method is purely national. It would adjust the dollar to compensate for changes in the value of gold. The second method is international. It would adjust gold by compensating with silver for changes in its value.

The two methods are not exclusive. It is quite conceivable that the United States might take the lead in managing the value of gold by balancing it with silver in order to obtain reasonably stable international prices and also manage the dollar to govern the American price level in relation to those international prices.

I hope this does not open up vistas which are too alarming. My own conviction is that this is the ground we have immediately to explore if we are still conservative enough in monetary matters to prefer hard money at the base of credit to absolute paper money. From the point of view of the reconstruction of a gold standard, those who are exploring the possibilities of silver and of a variable gold content are the true conservatives. They alone are trying to find a middle road between the old gold standard, which is now impossible to restore, and the paper money system which is gaining ground so rapidly in the world.

THE ECONOMICS OF THE RECOVERY PROGRAM

Mr. WAGNER. Mr. President, I ask unanimous consent to have printed in the RECORD a very able address delivered before the American Economics Association by a distinguished scholar, John Dickinson, who is now Assistant Secretary of Commerce, the subject of the speech being The Economics of the Recovery Program.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

For a practicing politician to present a paper before the American Economics Association is somewhat as if a garage mechanic were to present a paper before the American Physical Society. The analogy is not inapposite, even should the mechanic once have been a physicist, since the governmental administrator must, perforce, use the contributions of economic science always more or less crudely and in the rough, very much as the mechanic employs the conclusions of physics. None the less, he must employ them. At this stage of our social development economics forms the stuff and substance of politics. The problems with which Government for the moment is grappling are almost exclusively economic, even more than in a previous age they were predominantly religious. It is, therefore, not inappropriate, I suppose, that a governmental administrator should appear before a gathering like this and expose to the learned scrutiny of this audience some of the views and conclusions about economic matters which he believes to be governing him, or which he conceives to be guiding his colleagues at Washington.

I shall speak first about some general considerations which seem to me to underlie the whole policy of the administration and then confine myself to one or two special phases of the recovery program which have fallen directly under my own observation.

I

Any discussion of the economic policy of the administration must commence with certain general considerations, because that policy in some of its major aspects challenges at least the emphasis which has hitherto characterized a great deal of accepted economic doctrine. I say it challenges the emphasis, rather than the doctrine, because the corpus of economic doctrine itself, as it has been built up like a coral reef by the labors of innumerable contributors, is not subject to general but only to specific challenge.

There is one limiting feature of economic doctrine which is perhaps not so generally kept in mind as it should be, namely, that many of the particular doctrines which go to make it up have been devised at some time in the past to meet particular problems which at that time were pressing, and were accordingly devised with a special angle or slant which needs always to be read into the doctrine if it is to be properly understood. Again, economics, as a practical science, employing the terminology and dealing with the concerns of everyday life, has always tended, much more than the pure sciences, to absorb unconsciously, and to rely upon, presuppositions and points of view drawn from the contemporary intellectual atmosphere, and not specially isolated and identified. Finally, economics, as an observational science, deals with a constantly and rapidly changing subject matter; indeed, a subject matter which changes more rapidly than that of any other science. The starry heavens remain today almost exactly as they were when Copernicus observed them. The chemical elements have not changed since Lavoisier studied them. The existing species of plants and animals have suffered no considerable mutations since the days of Linnaeus and Cuvier. On the other hand, the entire mechanism of production and exchange and distribution which forms the subject matter of economics has undergone a practically complete transformation since the days of Adam Smith and even of Stuart Mill. Of course, no competent economist in his own thinking fails to make the necessary corrections and qualifications of economic doctrine which are required by these special limitations of the science. Every science, however, and particularly a practical science like economics, has a habit of throwing off an oversimplified popular image or stereotype of itself which responds much more slowly to change and correction than the technical science itself. This popularized stereotype of economics affects the thinking even of economists themselves more than they suppose. It is certain matters of emphasis in this generalized version of economics which the administration's program challenges, rather than the body of economic doctrine as such.

The prevailing stereotype of economic thinking has hitherto been built around a picture of a world consisting of a multitude of small independent units, each characterized by almost complete freedom of motion and whose interaction corresponded to certain statistical laws. The movement of the units in correspondence with these laws was thought to be of such a character as constantly to restore the whole system to equilibrium whenever any one tendency should chance for the time being to get out of balance with the rest. The normal effectiveness of the system to produce sufficient goods for the needs of the community and to distribute those goods equitably was therefore thought to depend primarily on the freedom of the individual units to act as the laws of economics assumed that they would act. A large number of individual men each buying what he individually wanted would call into action precisely the amount of labor, capital, and raw materials needed to supply those things. A recession of demand would cause a lowering of price which in turn would restore demand. An oversupply of capital would lower the rate of interest, decrease saving, and thus create a scarcity of capital which in turn would send the interest rate up. Human economic motives were supposed to be such that the economic system, if temporarily thrown out of balance, would right itself automatically.

The pre-established harmonies of popular economics—for the view I have been outlining cannot properly be charged against scientific economic theory in even its most classical form—presupposes and, as I have said, depends on a world of small independent units no one of which counts in the system for more than an element in a statistical average. It depends on the free appearance and disappearance of business units and their free entry into and withdrawal from the market. It depends on relatively stable habits of life, which cause the ebb and flow of substantially the same demands rather than the substitution of wholly new demands and the complete disappearance of old ones. It depends on a stable unit of value and exchange, and I rather think upon a stock of money which does not consist mainly of credit instruments. Apart from these conditioning factors there may be automatic laws of economic balance and adjustment, but they are not those on which the faith of rugged individualism has been upheld by its votaries. Hitherto we have been assuming that the conditioning facts of our economic theory corresponded to the facts of the real world. Now that we have had to face those facts, we observe divergencies in some major particulars.

In the first place the economic unit today is not the free mobile individual, the minute element in a statistical average—for all practical purposes it is the business concern, and as often as not the business concern is of very considerable size, and sometimes of mammoth size, binding together in a tight complex the interests of countless individuals, and tied in, through banks or otherwise, with many similar complexes. In some industries the effective business units are reduced to half a dozen or even a smaller number of giant enterprises. The behavior of such a business unit is by no means so free and mobile as that of the economic man of the old theory. Its managers, with the interests of an impersonal mass of investors, creditors, and employees at stake, cannot or do not act as an individual would. They cannot, for example, go out of business freely; to do so would involve abandoning plant and equipment which represents millions of dollars worth of savings. Often they cannot even withdraw from the market effectively because expensive plant eats itself up when idle and overhead must be met at all costs. The result is that in the face of slackened demand, production often continues in excessive quantities made possible by the financial strength of the contending units. Because of such financial strength they may be able to hold up prices with the result that their production accumulates in the form of mounting stocks which overhang the market ever more and more menacingly. On the other hand a vicious price war may result which drives prices for everybody below the cost of production, ruins not necessarily the marginal competitor but those with relatively weak financial staying power, and in the process shocks or shatters banks and the countless investors or depositors whose wealth has been tied into the industry. One of the necessary links in a system of automatic economic adjustments is the free disappearance of economic units. Under conditions today the prospect of toppling giants is so fraught with menace throughout the whole system that men shun automatic adjustments bought at such a price, and they do not occur at the time when they should if an automatic balance is to be maintained.

A second particular in which current conditions do not conform to the presuppositions of an automatic system of economic adjustments is closely connected, I believe, with the one to which I have just referred. Not only do the automatic adjustments not take place because the units have grown so large and hence are not mobile and flexible, but also because today practically all our economic activities have been drawn into the nexus of a highly organized industrial system without an elastic cushion to absorb the repercussions within the system. For example, 50 years ago our agriculture lay largely outside the industrial system—the farmers were self-supporting and did not depend for their livelihood on the conversion of their crops into money. A good deal of local industry and trade went on which was not tied into the national system by bank loans or other forms of financial dependence. Those areas of economic activity lying outside the organized system formed what may be compared to a cushion which operates to absorb much of the shock of the repercussions within the system. In idle times labor was absorbed into those outlying activities and in boom times the farms and local workshops increased their output. Today all our economic activity is geared into one system with vastly increased rigidity and with increased menace to the stability of the system. It is even being proposed to fund retail accounts payable and make them a basis for credits.

A third respect in which the facts no longer correspond to the presuppositions of a system of automatic economic adjustments relates to the changes which have taken place in our medium of exchange. Today, as is well known, our medium is largely bank credit circulating in the form of checks. Bank credit represents in the last analysis a hope, a prophecy of the future. It depends for its value on the value, or rather the prospective value, of the assets of enterprises on which the bank has loaned. The result of this is an interesting inversion, or perhaps I should say perversion, of the supposed operation of the law of supply and demand. When business is booming and values are rising bank credit increases and the increase in the stock of money which this implies raises prices still further and thus tends to stimulate rather than redress the process. In precisely the opposite way in a time of depression the value of bank assets and hence the volume of bank credit decreases, with the result that money becomes dear, prices continue to fall, funds available for buying decrease, and again the prevailing tendencies are enhanced rather than decreased.

I have only touched on a few of the characteristic features of our current economic situation which seem to me to explain in part why the old confidence in a system of automatic economic adjustment has disappointed us. They illustrate why deliberate conscious intervention in the system by governmental authority has become more than ever necessary. Of course, no system of purely automatic adjustments has ever prevailed. Government has always set the limiting conditions within which economic

activity has gone on, has defined what transactions would be legally effective, has regulated weights and coinages, has supervised and controlled banking and finance. What we have recently been taught by the facts to recognize is that at various points our economic system may get completely out of balance and that if it is to be restored to proper working condition there must be the same kind of engineering attention given to it by conscious intelligence which is given to any system, mechanical or organic, that has gotten out of gear. The economic system is no supramundane system of pre-established harmonies which transcends human competence.

Of course, this is not to deny that there are economic sequences of cause and effect to which conscious action must conform if it is to produce its results, just as the chemist and the bridge builder and the engineer must conform to physical sequences of cause and effect if they wish to produce the results they aim for. There are forces of adjustment at work within the economic system just as in the human body natural forces of recovery are available to aid the efforts of the physician; otherwise no cure would ever be possible. The problem is always that of coordinating effort with the natural trends which effort must make use of. It is the old problem of art on the one hand and nature on the other. The two are correlative. We must in our thinking avoid so far as possible emotional swings of emphasis from one to the other.

It is important, I think, to note this need for balance in our thinking because some economists are today pointing out that certain of the more important maladjustments from which we are now suffering are in part the result of deliberate conscious action, of men's attempts to hold back the operation of economic forces and resist the adjustments in the direction of which those forces are tending. Thus they refer to the fact that in certain industries the manufacturing units have been sufficiently strong to resist a general tendency toward a decline in price with the result that sales volume has fallen off and a surplus of the product has accumulated which overhangs the market, while plants have closed down and workers have been laid off, results which would not have occurred had natural tendencies been permitted to work themselves out.

In the same way it is suggested that much conscious governmental interference with economic developments has operated to increase maladjustments rather than to correct them. Sir Arthur Salter, in his recent admirable little book on planning published under the title, "The Framework of an Ordered Society", refers, for example, to short-sighted tariff restrictions adopted under the pressure of groups which have not had the foresight to relate their own interests to the general interests of the community and to schemes such as the British rubber restriction plan and the plan for stimulating beet-sugar production in England.

Such instances of badly conceived planning afford no sound justification, I suggest, for taking refuge once more in the old theory of reliance on purely automatic adjustments. Such a course is a counsel of despair and rests upon a fundamental psychological pessimism which denies the ability of human beings to meet satisfactorily by their own efforts the problems of getting a living. It is precisely as if 150 years ago, because of the bad state of medical knowledge, men had been advised to abandon efforts to cure their ills by medical means and to trust exclusively to the unaided processes of nature.

II

The body of considerations which I have been so far advancing are addressed primarily to those economists who have taken the position that the administration should have trusted to "natural forces" to bring us out of the depression and should not have undertaken the various forms of stimulation and control which constitute the recovery program. I wish now to speak of two phases of that program—one, temporary and remedial in its objective, the other, permanent and preservative. I refer first to the various devices for the artificial stimulation of purchasing power and, secondly, to the substitution of a regulated for an unregulated competition.

The question of purchasing power in the national economy has in recent years been most frequently discussed in connection with the theory of excessive saving—the theory, in other words, which claims that too much of the annual income has been paid out in forms which divert it into channels of saving rather than into channels of consumption. The theoretical debate over this issue has been heated and there has been by no means a general acceptance of the excessive saving theory. There has been a tendency to interpret the administration's program for increasing purchasing power in terms of this controversy. Some of the economic criticis of the administration who believe that the arguments for diverting more income from saving into consumption are unsound have viewed with skepticism the administration's efforts as resting upon these arguments. In their own turn, these critics have suggested as recovery devices measures based on their belief that saving and the investment of saving promote sound economic activity. I submit that this interpretation of the campaign to increase purchasing power in terms of the controversy about the comparative merits of saving and consumption serves to obscure rather than clarify the recovery effort, and that a good deal of misunderstanding could be avoided if we approach the observation of that effort from a different point of view.

The situation with which the administration was confronted on taking office was marked by a progressive decline of production on the one hand and purchasing power on the other. Between February 1929 and February 1933 the production index had fallen for the textiles from 114 to 84, for lumber from 86 to 20, for iron and steel from 128 to 31, for automobiles from 143 to 33, carloadings had fallen to 53 percent of the normal, electric-power consumption to 62 percent of the normal, bituminous-coal production to 61 percent of the normal, and department-store sales to 49 percent of the 1923–25 average. Coupled with this progressive decline in production and trade there had been a progressive increase in unemployment until the total number of the unemployed had reached the figure of approximately 12 million. This was the situation. Obviously, if people were to be reemployed, industry must resume a more normal rate of production. On the other hand, if industry was to resume a more normal rate of production, it must find purchasers able and willing to buy its products.

At this juncture the consideration was advanced by many economists that as a matter of history recovery from past depressions has always been initiated by the opening up of new fields for profitable investment which stimulate the capital-goods industries, thereby reabsorbing the most considerable volume of the unemployed, who thus become purchasers of consumption goods. It was accordingly suggested that the proper line of procedure would be to devise some means whereby, either through increasing profits or through a vast public-works program or otherwise, the capital-goods industries which had naturally suffered most severely would again be set in motion and thus stimulate a demand for the products of the consumption-goods industries. The difficulty about this line of approach was that it was blocked by the existing fact situation before it could commence. In the past the opportunities for profitable investment which have initiated recovery from depressions have practically always been connected with the opening up of foreign markets. The opening to development of the United States, of South America, the Orient, and South Africa at different periods during the nineteenth century provided the conditions which governed recovery from the various nineteenth century depressions. Today there are still large undeveloped sections of the world, the opening up of which might, if other conditions permitted, afford a way out of the current depression along the lines of the past. But today there are two great obstacles which make it impossible to take advantage of these opportunities. The first is the international political situation, where tariff barriers and other restrictions on trade impose an insuperable obstacle to the speedy exploitation of foreign markets. The second is the accumulated mountain of indebtedness under which practically all foreign countries are laboring as a result partly of the destruction of wealth by the war and partly of the overstimulation of production and trade during the recent boom. It is sometimes stated that the "new frontier", whose exploitation offers the key to future prosperity, lies in the development of new demand at home through an increase in the standard of living. If this frontier is to be exploited, however, there must be presupposed on the part of the people a capacity to buy, and that capacity obviously did not and could not exist in the midst of general unemployment. The possibility of revival through the profitable exploitation of a frontier was thus excluded in both directions, nor could a program of public works of itself carry the burden of initiating recovery through a revival of capital-goods industries without being undertaken on so vast a scale as to be totally impracticable. The traditional avenues to recovery were thus blocked and brought to an impasse. The initiating force had to be sought in a different direction.

It was from this point of view, and for these reasons, that the administration had recourse to the policy of increasing the national purchasing power. It was obvious that if industrial production was to be increased, so that more people could be employed, the demand for the increased product must come from within the Nation. The great volume of purchasing power within the Nation comes from two classes—the farmers and the workers who are employed in production and distribution. If the pump was to be primed, if an impetus was to be given to start again the normal revolution of supply and demand, the only feasible device seemed to be by increasing the purchasing power of these two classes, and it is to this objective that the main effort of the administration has been directed through the two major agencies of the agricultural adjustment program and the industrial recovery program. Other relief measures of the administration have aimed in the same direction, such as the releasing of the frozen deposits in closed banks and the easing of the burden of indebtedness on farmers and home owners. The novel features of the program, however, are those connected with the agricultural and recovery acts.

The device adopted for increasing agricultural purchasing power has been primarily the reduction of agricultural production, coupled with the payment to the farmers of a sum derived from a tax on the processors of farm products. The device adopted for increasing the purchasing power of workers engaged in industry and distribution has been a shortening of hours, accompanied by the maintenance or increase of the wages paid to the individual worker, thereby increasing the number of workers employed and correspondingly increasing the total wage bill of the employers. Through both these channels it was expected that a greatly increased volume of funds would be made available for consumptive expenditures, and thus released into the channels of trade. This stimulation of the demand for the products of the consumption-goods industries would, it was hoped, make possible replacements

and ultimately extensions in these industries which would reach back and stimulate the production-goods industries. Since this is inevitably a somewhat slow process, a program of public works on a considerable, but none the less practicable, scale was initiated to set in motion a recovery in the capital-goods industries in the interim.

The policies embodied in the agricultural adjustment program and the national recovery program have been viewed with a certain amount of skepticism by some economists for two reasons. The first is that the policy of reducing agricultural production is thought to rest upon a supposed state of overproduction, whereas many economists take the view that there cannot be overproduction in any true sense. Again, the policy under the Recovery Act of reducing the output of the individual worker by shortening hours for purely economic rather than social reasons has been criticized as an impediment to recovery. Both these criticisms rest upon a broad generalization—the generalization that the national well-being and the standard of living are, on the whole, directly proportional to the total quantity of goods produced. With this generalization, as a generalization, there can certainly be no quarrel, any more, for example, than with the corresponding political generalization that, on the whole, the greater the amount of freedom which the individuals of a nation possess, the greater is likely to be their happiness and the rate of national progress. The difficulty is that these generalizations are not formulae to be applied as rules of thumb to particular cases. While it may be true in a long-run sense that there can be no absolute overproduction, it is clear that in the case of a particular commodity at a particular time the quantity of production may be relatively so excessive as to paralyze the effective demand of the producers of that commodity for other commodities. Similarly, it may be true that under conditions of greatly depressed demand the product may be increased by so shortening the working hours of individual workers as to necessitate the employment of additional hands. The recovery program is obviously, so far as it relates to the features of it which we are now discussing, not intended as a permanent program for industry. It does not address itself to normal conditions or to the operation of normal tendencies. It aims to deal with maladjustments, and it is not to be expected that the measures which can deal effectively with maladjustments are those which would be appropriate for a system which was functioning normally.

If the validity of a program depends upon its results, the recovery program has certainly justified itself up to the present time. While there was a certain recession 6 or 7 weeks ago, apparently due to a somewhat too rapid anticipation of results, the upward movement has been resumed in most lines of activity, and there is a general feeling of optimism which is the indispensable prerequisite for sound economic advance.

III

I come, finally, to what many hope will be a permanent and lasting contribution of the National Industrial Recovery Act, namely, the substitution of a regulated for an unregulated competition. Through the codes of fair practice which the statute authorizes there is held out to industry, under the supervision of Government, the opportunity of taking cooperative action to civilize its competitive methods.

If the depression has taught us anything about the nature of the economic process, it has certainly shown us how the results of competition depends upon the types of competitive practices employed and upon the individual situation within which competition goes on. It has disclosed that, under the special conditions of modern industrial life and with the type of competitive practices which have widely prevailed, practically every one of the supposed beneficial checks and balances of competition, practically every one of the automatic adjustments which economic theory attributes to competition, may simply refuse to work. For example, under the operation of competition excessive production capacity has not withdrawn from the field leaving the market to the more efficient producers. On the contrary, excess capacity everywhere remains and diminished demand is merely reflected in a general reduction of operations among the producers all around. Inefficient producers have not ceased to operate but, on the contrary, it is often the inefficient producer who, by violating decent employment standards and underpaying his labor, as well as working them an excessive number of hours, is able to keep a larger percentage of his production capacity employed than some of his more fundamentally efficient rivals.

Under such circumstances it may well be that price has not been maintained at the point which will return the cost of production to all the producers still in the market. Obviously, this is impossible under conditions where high-cost and low-cost plants alike remain in the field to compete for a demand greatly below the amount of their combined capacity. Under such conditions competition, in the sense of unrestrained rivalry, far from amounting to a system of checks and balances and an agency of adjustment, suggests more accurately a continually descending spiral pointing through industrial anarchy toward ultimate destruction for everyone. Where all, or practically all, plants in the field are in distress and frankly reaching out for further business to employ their unused capacity, a given plant will often snatch at an order from a powerful buyer at a figure below the cost of production if it merely covers out-of-pocket expenses and contributes something, however little, toward overhead. The buyer who obtains such an advantage is placed in a favored position as compared with his competitors, and these at once swarm down on all the other producers with a clamorous demand to be given an equally favorable price. With a scarcity of buyers and a plethora of producers price, as a result of those practices, tends throughout the industry to be brought to a figure which not merely carries no return to the producer but frequently no adequate return to labor and to those who supply the raw materials. This situation exists today in many industries where the farmer who supplies the raw material of the industry and the laborers who work it up are not receiving an adequate return for their efforts, while the industry itself is so paralyzed that it does not afford a safe or attractive field for investment and its credit is destroyed. The mere fact that such a situation is accompanied by lower prices cannot be regarded from the standpoint of the public interest as in itself overbalancing the evils which it entails.

The sequence of events constituting the industrial rake's progress, which I have just described, is unfortunately not confined exclusively to the period of the present depression but tends to work itself out even in more normal times, because of certain special conditions of modern industry. These special conditions profoundly affected the operation of competition and no attempt to understand the place and effect which competition has in our present industrial life can afford to disregard them. They are connected primarily with two factors: First, the great size and expensiveness of the typical modern plant which employs all the most advanced and improved devices of machine technology, and, second, the practice of mass production, which makes impossible a very nice or close adjustment of plant capacity to demand and encourages plant building in anticipation of demand. The combined result of these two factors is to bring into existence plants laboring under the pressure of very heavy overhead costs and standing in a position of relatively unstable equilibrium with reference to the demand which they aim to supply. Consequently, whenever there is even a slight slackening down of demand, the pressure of overhead offers an almost irresistible temptation to the type of competitive practices which lead, for the industry as a whole, into the rake's progress which I have already described.

The usual stages in the progress are as follows: In order to meet the burden of overhead, there is always a strong temptation on the producer to step up volume by obtaining orders from particular customers at special low prices which, if offered to all customers, would put the plant in the red. If, however, additional business can be obtained by these orders from a few favored customers, it may seem to the plant management a good stroke of business to help in this way toward carrying the overhead. Inevitably, however, the granting of special prices in this way becomes noised about, pressure is brought to bear upon other producers to grant the same prices, customers who are in competition with the recipients of the special favors become dissatisfied, and the whole price structure slips down with jarring repercussions to levels which will not defray the production costs of all the producers remaining in the business.

It has been suggested in some quarters that competitive practices of the kind just mentioned, and leading to the industrial consequences which I have described, are among the causes of the depression. The depression has many causes, and almost every day a new one is being found for it, but, in my opinion, destructive competition cannot be set down as in any direct sense a major cause. However, there can be little doubt that with the depression upon us, and in our present situation, destructive competition has operated and is operating to retard recovery, and, on the contrary, to prolong and deepen the depression. And while I should certainly not include the evils of such competition as in any sense a major cause of the depression, I should certainly regard them as an important contributing factor in the general total situation which brought the depression on. The great obstacle under modern industrial conditions to the operation of competition as a beneficial system of checks and balances and automatic adjustments is the expensiveness combined with the permanence of our modern plant equipment. On the one hand, this leads inevitably to the building of plants by means of large-scale borrowed capital and, on the other hand, throws the most serious obstacles in the way of reducing the production capacity of an industry as a whole in a period of reduced demand. Where there are no obstacles to hinder resort to destructive competition through discrimination and discounts, the possibility of pursuing these practices holds out a delusive invitation to expansion and overbuilding. Since expansion and overbuilding in turn stimulate improper competitive practices of the kind described, we are presented with a vicious circle from which there is no escape, save by proper regulation and control of such competitive practices.

I submit that the proper regulation of competitive practices, especially practices relating to secret prices, price discrimination, discounts, and other types of discrimination, will do much toward eliminating forces and tendencies which in normal times, as in times of depression, tend to drag down and depress industry, lower the price of raw materials, and drive down labor standards. The elimination of these practices by bringing price into the open and rendering it subject to the normal operation of the law of supply and demand will tend to maintain a reasonably compensatory figure for all those producers whose output is essential to satisfy demand and will do much toward making it impossible for marginal producers who should be eliminated to survive and drag down their more efficient rivals. The problem of compensatory price, of price at least equal to cost of production, can, I believe, be trusted very largely to take care of itself where a condition of open and nondiscriminatory competition is scrupulously maintained.

SENATOR FROM LOUISIANA

Mr. SHEPPARD obtained the floor.

Mr. CONNALLY. Mr. President——

Mr. SHEPPARD. I yield to my colleague.

Mr. CONNALLY. Mr. President, I desire to give notice that at the conclusion of the remarks of the senior Senator from Texas [Mr. SHEPPARD] the junior Senator from Texas will endeavor to secure the floor for the purpose of calling up and submitting the report of the Campaign Expenditures Committee with regard to conditions in Louisiana.

Mr. OVERTON. Mr. President, the junior Senator from Texas [Mr. CONNALLY] has stated that following the annual address of the senior Senator from Texas [Mr. SHEPPARD] on the eighteenth amendment he expects to address the Senate on the matter of the Louisiana senatorial election, which the special committee has had under investigation. I desire to give notice that following the remarks to be made by the junior Senator from Texas, in the event no other member of the committee desires to address the Senate on that subject, I desire to submit some remarks.

ALCOHOLIC-BEVERAGE REGULATION IN THE DISTRICT

Mr. KING. Mr. President, without desiring to prevent the able senior Senator from Texas [Mr. SHEPPARD] and his colleague the junior Senator from Texas [Mr. CONNALLY] taking the floor and delivering such addresses as they desire, I move that the Senate proceed to the consideration of Calendar No. 213, the bill (H.R. 6181) to control the manufacture, transportation, possession, and sale of alcoholic beverages in the District of Columbia.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on the District of Columbia with amendments.

ANNIVERSARY OF ADOPTION OF EIGHTEENTH AMENDMENT

Mr. SHEPPARD. Mr. President, since my address to the Senate a year ago today on the eighteenth amendment that measure has been repealed.

On today, another anniversary of the eighteenth amendment, I rise to say that it will inevitably return.

In repealing temporarily the eighteenth amendment the American people demonstrated that at times propaganda is more powerful than principle in this Republic.

It is amazing that they surrendered so lightly the achievements of 13 years under Nation-wide prohibition—achievements such as a decrease in the death rate equaling a saving of 200,000 lives every year during the prohibition era; a decrease of at least two thirds in the consumption of intoxicating liquor as compared with the peak wet year of 1914; a decrease of 54 percent in the number of children brought to child-welfare associations on account of cruelty and neglect from drunken parents; a decrease by thousands in the number of special alcoholic wards in hospitals and sanitariums; the almost complete disappearance of institutions for the cure of alcoholism, such as Keely and Neal establishments; a decrease of at least 50 percent in arrests for prostitution throughout this Nation; a gain of 30 percent in the survival of infants under 1 year of age; a gain of 42 percent in the survival of children under 5 years of age; an unprecedented increase in savings and life insurance; and, above all, the abolition of the open saloon.

The repeal of the eighteenth amendment was equivalent to the placing of dynamite on our highways and in our streets and factories. It means the return to a national legal status of one of the most corrupt and corrupting agencies that ever dominated the public and private life of the Nation—the traffic in beverage liquor. It will bring drink-caused poverty, moral and physical degeneration, infinite unhappiness to millions of homes. It means the legal restoration, so far as national enactment is concerned, of a liquid poison, a habit-forming drug laden with disease and death for multitudes of people. It means the return of legalized saloons on an ever-growing scale, because States and communities now dry will find it increasingly difficult to resist the wet movement in view of the fact that the dry moorings in the National Constitution have been swept away—legalized saloons, those pits of hell that once lined our streets, pouring poison into the bodies of fathers and sons, throwing terror into the souls of mothers and daughters. You say that with prohibition we had the bootlegger and the speak-easy. Without prohibition we have the bootlegger, the speak-easy, and the public saloon. The legalized saloon alone, however, would be far more terrible than bootlegger and speak-easy combined. Without the public saloon and with Nation-wide prohibition we had secured a decline of at least two thirds in the consumption of liquor and were making distinct and encouraging progress throughout the Nation as a whole toward the reduction of liquor consumption to nominal proportions and toward the abolition of the speak-easy and the bootlegger.

No examination of more searching character was ever made than that of the Wickersham Commission into the workings of the eighteenth amendment and the Volstead Act which enforced it. Unfortunately the reports of the special examiners of that Commission citing occurrences unfavorable to prohibition received far more publicity than reports of examiners containing data favorable to prohibition. This was due to the heavily financed wet propaganda, which was the prime cause of repeal. If half the publicity accorded the reports to the Wickersham Commission unfavorable to prohibition had been given to Evangeline Booth's report to that Commission giving the situation as she saw it, the eighteenth amendment would, in my judgment, be in operation today. The outstanding fact, is, however, that the Commission itself, comprised mainly of anti-drys or neutrals, recommended in its final report, after prolonged investigation and study, against the repeal of the eighteenth amendment, against the restoration in any manner of the legalized saloon, and against the return of light wines and beer.

The Wickersham Commission was more than justified in favoring the retention of the eighteenth amendment. A careful survey by the Prohibition Bureau of the United States Government, a survey praised by both wets and drys for the evidences it gave of accuracy and fairness, showed that if every possible source of the illegal production and sale of liquor had been fully utilized in 1930 and the quantity thus produced and sold had been entirely consumed, the volume consumed would not have been more than a third as great as that consumed in the peak wet year of 1914. It was by no means certain, however, that even this possible third had been actually produced or consumed. Be that as it may, the gratifying thing from the standpoint of prohibition is that at the rate of decrease shown by the Government survey, consumption of intoxicating liquor would have been reduced to unimportant proportions in this country within a generation if national prohibition had been permitted to continue. In answer to the wet claim that drinking among young people increased under prohibition, let it be said that a survey for the Wickersham Commission, made after 10 years of national prohibition, by C. W. Crabtree, of the National Education Association, showed that it had been decreasing. A questionnaire by the Woman's Christian Temperance Union about the same time covering 257 colleges in 45 States showed diminished drinking among collegians.

It is true that arrests for drunkenness increased under prohibition, but this does not mean that drinking increased. Arrests for drunkenness were made on a far stricter basis after the enactment of national prohibition. Before prohibition an intoxicated person, as a rule, was not arrested if not actually disturbing the peace or if not endangering his own safety or the safety of others. After prohibition far stricter standards governed arrests for intoxication, and many police departments issued instructions for the arrest of anyone involved in traffic-law violation who had the odor of liquor on his breath. It has been said by police chiefs that if the same rules governing arrests for intoxication had been followed before the enactment of prohibition there would have been 10 times more arrests before prohibition than would have been the case during prohibition.

The tremendous decrease in drinking during national prohibition disposes of any argument the wets may build around the existence of bootleggers and speak-easies who continued

from preprohibition times. Evidently they did not exist in sufficient numbers to halt the decline in liquor consumption and if prohibition had been allowed to continue, they would have diminished throughout the Nation as drinking diminished. The concentration of speak-easies in certain large centers and drinking in social and other circles holding the spotlight of publicity gave the wrong impression as to conditions in the country at large.

It is astounding that the American people, under the influence of the most deceptive propaganda the world has ever known, voted to repeal the eighteenth amendment in the face of the fact that every alternative method for the regulation and control of the liquor industry and traffic had been tried in various States before the advent of Nation-wide prohibition and found wanting. Each of these methods, such as various forms of taxation, high license, local option, State-wide prohibition, State ownership and operation, regulation of all kinds, including regulation as to time and place of sale, regulation as to sales on Sunday and to children, interstate action by the Federal Government for attempted protection of dry States, was tried and found inadequate to cope with the all-powerful, all-dominant liquor industry and traffic. The American people will be compelled to learn again at the expense of unmeasured loss and sorrow that the most effective way of handling the liquor traffic, even admitting that it cannot entirely be destroyed, is through Nation-wide prohibition, complete and unqualified.

The increased use of fast-moving trains, the growing number of automobiles, the rapid improvement of our highways, made it impossible in preprohibition times to protect dry States from greedy and conscienceless liquor interests in wet States. And yet we were told in the repeal campaign of 1933 that the dry States would be protected in the event of the repeal of the eighteenth amendment. Indeed, the second section of the twenty-first amendment, the amendment which succeeded the eighteenth, provides that the transportation of intoxicating liquors into dry States is prohibited, a provision which experience has shown to be futile and ineffective. Prior to 1920, the year Nation-wide prohibition was adopted, Congress had repeatedly attempted under the interstate commerce clause of the Constitution to protect dry States from the flow of liquor from wet States. Congress was unable to stem that tide. Thirty-three States had State-wide prohibition laws when the eighteenth amendment went into effect. It was the imperative need of national power to prohibit the manufacture and sale of liquor anywhere in the Union for the protection of dry States and localities containing a majority of the American people that constituted one of the principal reasons for the adoption of the eighteenth amendment. It will constitute one of the principal reasons for its reenactment. The American people in 1933 forgot the sad experiences with interstate liquor in preprohibition eras and were led to believe that this impotent section in the new amendment could protect dry States. It could not be done before national prohibition when we had a population of only 105,000,000, only 9,000,000 motor vehicles, only 387,000 miles of surfaced roads, only 377,000 miles of train trackage, and when the airplane was still in a primary stage of development. How it could be done today with a population of more than 122,000,000, 693,000 miles of surfaced roads, 407,000 miles of train trackage, and more than 10,000 licensed and identified airplanes challenges reason.

Let us examine some of the forces behind the movement for repeal. It is evident that a group of millionaires aided in financing this movement in order that liquor taxes exacted from the consuming masses might modify the tax burdens which otherwise would be carried by the rich. The United States lobby investigation of 1930 revealed to the public the activities and correspondence of the Association Against the Eighteenth Amendment, showing that in 1928 and 1929, 53 millionaires contributed between 65 and 75 percent of the funds of the association, or a total of $276,240 in 1928 and $321,000 in 1929; that in the first 2 months of 1930, $127,500 was contributed to this association by about a dozen millionaires.

In a memorandum of the association printed in the official record of this investigation, the purpose of shifting millionaire and corporation taxes to the working masses, who become the principal consumers of intoxicating liquor in eras of the open saloon, is expressly stated. In this memorandum, which was the draft of a letter to prospective members, appears the following:

> Do you realize that Congress has power to at once legalize a glass of mild, wholesome beer? And that working men and others would willingly pay a tax of 3 cents per glass, and that that amount (based on past consumption) would enable the Federal Government to get rid of the burdensome corporation taxes and income taxes, and to take the snoopers and spies out of office?

Then follows a request to join and contribute.

W. H. Stayton, chairman of the board of directors of the Association Against the Prohibition Amendment, in a memorandum of October 8, 1927, according to the record of this investigation, indicated the importance to the millionaire of the income-tax argument for repeal of the eighteenth amendment when he wrote the following:

> I suggest that you consider whether it would be wise if you would ask a person to give us 1 percent of what he pays for income tax and then give him a little income-tax argument a la Murphy plan.

It appeared further in this investigation that Mr. Stayton wrote another memorandum in which these words appeared:

> I have selected by hand-picked method the names of about 2,000 men who pay income taxes on incomes of $100,000 or more each. These men are not members of the association and I do not know their attitude as to prohibition. My thought is to solicit them for sums which will average, say, about $200 for each contributor.

This Association Against the Prohibition Amendment, with contributors representing, according to the writings of the chairman of the board, $40,000,000,000 in wealth and controlling 3,000,000 employees, was one of the principal instruments through which the American people were propagandized for repeal and for nullification by bringing back beer in advance of repeal.

But for this millionaire propaganda it may well be doubted whether the movement against the eighteenth amendment would have had any success whatever.

These propagandists did not tell the people that they wanted liquor back because liquor taxes, absorbed by the working millions, would save the rich from higher corporation and income levies. No! They spread misrepresentations as to extent of drinking, drunkenness, lack of law enforcement, corruption, and crime so constantly and to such a degree that the American mind became hopelessly saturated with false conceptions on the subject of prohibition.

I have already dealt with the questions of drinking and drunkenness under prohibition.

As to crime, the fact is that the criminal ratio did not increase in the United States under prohibition. August Vollmer, formerly chief of police of Berkeley, Calif., and now or recently criminologist of the University of Chicago, asserted in 1929 that, according to available statistics, the criminal population was proportionately the same as it had been at any time in the past 50 years, and that the proportion of crime was about the same. The fact that despite the chaotic conditions following the World War, the reaction against established beliefs and standards pervading every part of this Republic, the waves of lawlessness that threatened to engulf this country and the world crime did not increase in proportion to population in this country during the decade succeeding the arrival of the eighteenth amendment is overwhelming evidence of the moral power and civilizing effect of prohibition.

The organized liquor tacticians based one of their principal contentions on alleged nonenforcement. Take the official figures for 1932, a fairly typical dry year. Prohibition cases to the number of 90,217 were prosecuted in the Federal courts, with 61,383 convictions. Such cases to the number of 13,847 were handled in State courts, with 11,980 convictions. Could this be called a status of nonenforcement?

The rum ballyhoo directed its shrillest cries against the so-called "cost of prohibition"—enforcement expense and loss of taxes. When the estimates of Dr. Fisher and other economists crediting prohibition with a saving to the Ameri-

can people of billions every year is compared with amounts expended for enforcement and amounts not realized in taxes the balance vastly favors prohibition.

The regiments of pens and tongues enlisted at the command of damp dollars for the return of rum bombarded American opinion into complete surrender with unfounded assertions that prohibition had let loose upon America a huge army of Federal spies and snoopers, menacing the homes and imperiling the peace and quiet of the people. The truth is that in each year of the dry epoch about 1,700 Federal prohibition agents were engaged in enforcement work among more than 100,000,000 people over an area of 3,000,000 square miles; that is, 1 to every 64,000 people and every 17,000 square miles.

This little group of dry agents was pictured as a swarm of murderers and corruptionists. To no avail did prohibitionists point out that the killing of 179 law violators and arrest resisters and 91 law officers in connection with more than half a million arrests over a period of 13 years; the officers contending in many instances with the most desperate cutthroats, comprised a remarkably moderate record. The wonder is that more clashes of fatal character did not occur, in view of the ridicule the press, the stage, the movie, and other organs of publicity constantly heaped upon the prohibition laws.

The charge of wholesale corruption is equally baseless. Before June 30, 1933, 21,000 different persons, roughly speaking, had been employed at different times in Federal prohibition work. According to the records, only 1,739 were separated from the service for illegal acts from 1920 to 1933. In other words, during the 13½ years of Nation-wide prohibition less than 8⅓ percent, or an average of about three fifths of 1 percent a year, of Federal prohibition officials were found guilty of corruption or other illegal conduct, although the strictest supervision over their operations was maintained.

Against that tremendous barrage of false and misleading propaganda the parent-teachers associations and the National Education Association, organizations comprising parents and teachers from every part of the country, stood solidly to the last. The mothers and the teachers knew what prohibition meant to the youth of America, but such was the obsession for the return of drink that their voices went unheeded and unheard. Some day those voices will call the Nation back to right and duty, but after what a penance of agony and tears!

For every dollar taken from the American masses in liquor taxes, at least four or five dollars in addition will go to the groups that make and sell liquor. It will require the development of an almost universal drink habit among the American people to furnish the amounts they will be called upon to pay for liquor in order to enrich the liquor barons and supply the revenues which would otherwise reach the Government from the coffers of corporate and individual wealth. Then will begin the descent back to a debauched and drink-sodden status for this Nation. To maintain and foster such an infamy it will be necessary for its beneficiaries to control and to corrupt elections and much of the machinery of government.

The processes of the past will be repeated. In my own State of Texas the attorney general in 1916 presented evidence against seven leading Texas brewing companies, embracing practically the entire liquor interest in Texas, revealing the domination and corruption of government the liquor interest was forcing upon the State. The attorney general proved among other things that those brewing companies were using their means and assets to violate Texas antitrust laws, that they were illegally spending large sums of money, individually or through the Texas Brewers Association, to control the legislature, to carry local-option elections, to pay poll taxes, and to handle votes.

The mass of evidence adduced by the attorney general on that occasion explains the extent to which laws were being violated and the extent to which public men, institutions, and citizens were subjected to the corrupting influences of the liquor trade. A letter was submitted as part of the evidence in that case from a prominent brewing official, written in 1911, and stating that over half a million dollars had been expended in Texas during the preceding 5 years to fight legislation adverse to liquor interests; that since 1900 approximately a million dollars, or $100,000 a year, had been spent in Texas to fight dry legislation and defeat the drys in local-option elections. This experience in Texas was typical in greater or less degree of that in almost every other State.

Turning to the Nation, it may be observed that the organized liquor forces were operating in a vicious circle throughout the country. State brewing associations in the several States and a central organization, the United States Brewers Association, were seeking at all times to prevent the passage of laws to restrain and govern liquor, to break down legislation enacted for its regulation and control, and to elect to public office men pledged to their cause, and to defeat those who dared to resist and denounce them.

For instance, in the 1917 case of the United States against the United States Brewers Association, it was revealed that in 1910 the United States Brewers Association had participated in 27 State campaigns, winning substantial victories in all of them but one; that during the two preceding sessions of Congress over 200 bills adverse to liquor had been introduced, and that only one had been allowed by the brewery representatives to pass; that in 1913 the United States Brewers Association gave $330,138 and the Wholesale Liquor Dealers Association gave $90,000 to a fund for use in influencing the election of Governors, Lieutenant Governors, United States Senators, United States Representatives, and members of State legislatures.

An investigation by the United States Senate Judiciary Committee in 1918 and 1919 disclosed that from 1913 to 1918 the total bank deposits of the United States Brewers Association amounted to more than $4,000,000. This investigation also demonstrated that brewing and liquor forces throughout the country had furnished large sums of money for the purpose of secretly controlling newspapers and periodicals; that they had succeeded in dominating primaries, elections, and political organizations; that they had contributed enormous sums of money for political campaigns in violation of Federal statutes and the statutes of the several States; that they had exacted pledges from candidates for public office prior to election; that for the purpose of influencing public opinion they had attempted to subsidize and had partly succeeded in subsidizing large sections of the press; that they had created their own political organizations in many States and in smaller political units in order to carry into effect their own political will, and financed such organizations with large contributions and assessments; that they organized clubs, leagues, and corporations of various kinds for the purpose of secretly carrying on political activities without having their interest known to the public; that they improperly treated the funds which they expended for political purposes as a proper expenditure of business, and consequently failed to return the same for taxation under the laws of the United States; that they undertook through a cunningly conceived plan of advertisement and subsidy to control and dominate the foreign-language press of the United States; that they subsidized authors of standing in literary circles to write articles for standard periodicals; that for many years a working agreement existed between the brewing and distilling interests of the country by which the brewing interests contributed two thirds and the distilling interests one third of political expenditures by the joint interests. This is only a summary of what the committee found. The total evidence is staggering almost to the limits of belief. No other organizations in American annals ever approached the sinister careers of these brewing and distilling groups. And to think that the United States must walk this path again!

In wet Great Britain, where the liquor forces hold sway today, the same corrupt and lawless efforts are being made by the liquor interests to subject organized government to their control and domination.

For example, the Royal Commission on Licensing, which studied the liquor problem in England and Wales, reported in 1932 that members and ex-members of Parliament testified to the pressure brought to bear in their constituencies by political liquor organizations. Evidently the liquor trade has developed a strong, alert organization in England skilled in the concentration and direction of its forces in the political field.

It is said that the return of liquor will mean the employment of hundreds of thousands of men. The answer is that for every dollar spent for beer or other liquor, a dollar less will be spent for food, shelter, clothing, education, medical service, radios, autos, travel, and other facilities and features of modern life; and that for every employee made possible by alcoholic beverages, several employees will be discharged from the industries producing necessities on account of the larger number of employees in the latter per unit of capital invested and on account of the diversion of enormous sums from the purchase of necessities to the purchase of liquor. A wet convention in my State last year drafted a resolution calling on the people of Texas to help the fight for higher wages, higher prices for farm products, more buying power for all our people. No one will quarrel with these objectives; but where is the relationship between these things exemplifying prosperity and the things more immediately suggested by a wet convention—to wit, the traffic in a narcotic drug, saloons, poverty, crime, diseased and broken bodies, mothers and children cowering before the curses and the lashes of drunken husbands and fathers? Is there any semblance of prosperity in the spectacle of wages and earnings of millions of American workingmen squandered for liquor? Can there be any prosperity for the masses of the people in shouldering a colossal portion of the tax burdens of corporations and distillers? If prosperity returns, it will return despite this condition and will be handicapped by it.

The wet propagandists capitalized the depression and the economic unrest in order to intensify the fight on the eighteenth amendment. We were told that the absence of liquor was the root of all our troubles and that all we needed was an ocean of beer and wine and whisky to float us back to plenitude and happiness. And yet in wet England, wet France, wet Germany, and other wet countries all overflowing with liquor, experiences with depression were fully as terrifying as ours, if not more so. If liquor has such national recuperative powers and is so productive of prosperity, we wonder why it has been so disappointing a remedy in these wet foreign countries.

As a matter of fact, liquor in its long reign upon earth has never helped the man consuming it to place a single dollar in the bank. It has never been worth a dime to him upon going to the grocery store for flour, coffee, meat, milk, or butter for his family and himself. It has never helped him to place a single cent's worth of coal or wood or gas in his house to keep the home fires burning. It has never helped him to get a job although it is on record as having lost him many jobs. It has never in its long life convinced a single railroad employer that a man smelling of liquor would make a better engineer or fireman than the fellow with a liquorless breath and an unclouded head. It has never been of any value to anyone in starting a life-insurance policy. Liquor is not on record as helping the man consuming it to buy a home, or to start one through a building-and-loan association. It has never once helped him to pay his doctor or to contribute to the life of his church. No instance has been found where it has helped him to educate and train his children for citizenship or for manhood and womanhood. Two small groups profit by liquor—the tax-evading millionaires and those who manufacture and distribute it. Yes; it means prosperity for them, but it also means a living hell for its countless victims.

The limit of audacity was reached when the wet propagandists advanced the claim that the eighteenth amendment violated personal and State rights. Let it be remembered that there are no vested or personal rights to manufacture, sell, transport, or consume intoxicating liquor, a drug that destroys for millions of people the capacity to exercise liberty and the rights and responsibilities of citizenship on the one hand and brings into existence a corrupt special interest, dominating government, controlling elections, thus polluting the very foundations of liberty on the other. The wet forces seem never to have grasped the elemental truths that liberty must be defined in terms of human welfare; that the rights of women and children to a decent and comfortable existence are superior to the right of an individual to drink intoxicating beverages; that frequently by suppressing the liberty to do a less important thing we release the liberty to do a more important thing; that the person who will not subordinate his physical appetite to the general well-being cannot logically be called a good American.

There are no higher and more sacred rights in our philosophy of government than individual personal rights and the rights of the several States. But we should never permit these rights to be used as excuses for evil or as cloaks for crime. Our history reveals that never when confronted with a national evil or a national enemy have we said that it was not within our view of government to take action commensurate with the good of the Nation as a whole, the good of all the States, the good of all persons, action designed to protect the country against a selfish, an arrogant, a destructive, or a profiteering special interest. There has never been a time in our history when national action was needed and when national action was taken that representatives of special interests have not sent up wails and lamentations about personal and State rights.

The eighteenth amendment ought to be reembodied in the American Constitution, a measure prohibiting an evil that will undermine the Nation's vitality and impede the Nation's advancement.

In every country the same terrible indictment stands against liquor. From every land ascend the cries of the multitudes it has damned. Among almost every people it is one of the chief sources of the murders, the suicides, the debaucheries of body and of mind. Every moment it crushes some home, some heart. It arrests the physical and mental growth of children, distorting the moral sense, promoting disobedience of parents and disregard for law. It curses the future generations of its victims, the crazed, the maimed, the palsied, and the blind, into whose blood the alcoholic taint is inevitably transmitted. It wrecks domestic happiness and betrays the most sacred vows. It contains no nourishment; it gives no strength. It impairs the vital functions of the human organism. It destroys moderation and self-control, releasing every low and savage impulse. Instead of satisfying thirst, it leaves increasing thirst, a thirst suggesting at last the agonies of hell. It lowers the efficiency of labor and weakens the foundations of industrial progress. It multiplies the hazards on our streets and highways, imperiling the lives of motorists, pedestrians, and little children. It increases the liability to disease, especially to infectious maladies like tuberculosis. It diverts the earnings of mankind into channels of economic waste, causing a loss that far exceeds the revenues it provides for governmental use. It ought to be returned to the jungles and the haunts of outlawry to which the eighteenth amendment consigned it 14 years ago.

CALL OF THE ROLL

Mr. REYNOLDS. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. MCGILL in the chair). The Secretary will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Capper	Fess	Keyes
Ashurst	Caraway	Fletcher	King
Austin	Carey	Frazier	La Follette
Bachman	Clark	George	Lewis
Bailey	Connally	Glass	Logan
Bankhead	Coolidge	Goldsborough	Lonergan
Barkley	Costigan	Gore	McAdoo
Black	Couzens	Hale	McCarran
Bone	Cutting	Harrison	McGill
Borah	Davis	Hastings	McKellar
Brown	Dickinson	Hatch	McNary
Bulkley	Dieterich	Hatfield	Murphy
Bulow	Dill	Hayden	Neely
Byrd	Duffy	Hebert	Norris
Byrnes	Erickson	Johnson	Nye

O'Mahoney	Robinson, Ind.	Thomas, Okla.	Wagner
Overton	Russell	Thomas, Utah	Walcott
Patterson	Schall	Thompson	Walsh
Pittman	Sheppard	Townsend	Wheeler
Pope	Shipstead	Trammell	White
Reed	Smith	Tydings	
Reynolds	Steiwer	Vandenberg	
Robinson, Ark.	Stephens	Van Nuys	

The PRESIDING OFFICER. Eighty-nine Senators have answered to their names. A quorum is present.

SENATOR FROM LOUISIANA

Mr. CONNALLY. Mr. President, about an hour ago I submitted to the Senate the report from the Senatorial Campaign Expenditures Committee. I desire to call up that report and submit some remarks to the Senate with respect to it. I trust that all Senators will read the report in detail, because it will be found to set forth the situation as the committee found it, relating to the matters investigated by it, much more fully than any remarks which I shall be able to submit, speaking without manuscript.

Mr. President, there has been a great misconception throughout the country with reference to the functions and powers and jurisdiction of the committee. It was apparently popularly believed that the committee was in Louisiana for the purpose of investigating the election of Senator HUEY P. LONG and not that of Senator JOHN H. OVERTON. There was also a wide-spread conviction that we were down there generally investigating Senator LONG, but this conviction obtained without any real knowledge of what were the powers of the committee.

I invite the attention of the Senate to the fact that the resolution (S.Res. 174) appointing the committee was passed by the Senate before any election whatever took place in 1932. We were not directed to investigate any particular election anywhere. The functions of the committee as defined in the resolution were to investigate campaign expenditures anywhere in the United States with regard to senatorial elections, elections for Vice President and President, either in the primaries or in the general election. The committee had no jurisdiction to investigate any election in 1930, at which time Senator LONG was elected. It had no jurisdiction to investigate anything except those matters set forth in the resolution.

Those matters were as follows:

First. Investigate campaign expenditures of candidates for United States Senator in 1932.

Second. Investigate means or influence other than the use of money that influenced the election or nomination of a Senator.

Third. Investigate all other facts in relation to the nomination and election of Senators which would not only be of public interest but which would aid the Senate in enacting any remedial legislation or in deciding any contests which might be instituted involving the right to a seat in the United States Senate.

The committee was not authorized to investigate an election contest. There was no contest.

Mr. President, in pursuance of the resolution, the committee called upon all candidates for the United States Senate and their managers in every State in the Union where senatorial elections were held to file with the committee a statement of expenditures. We also called upon the managers of the Presidential and Vice Presidential candidates. Those candidates or their managers responded, and the Senate has that material available for any use to which it may desire to put it.

The committee was authorized to investigate transactions with regard to expenditures in 1932 either upon its own motion or upon the complaint of any individual or candidate or anybody else. Under these powers the committee entertained a complaint in the form of a letter filed by then Senator Edward S. Broussard, of Louisiana, in which he made certain charges with respect to the primary election in Louisiana held on the 13th day of September 1932, in which he was a candidate and in which Senator OVERTON was a candidate for the Democratic nomination for the United States Senate. The complaint was rather a long document, and I shall not undertake within the compass of these remarks to outline all of the charges. They appear fully set forth in the report which is submitted to the Senate and which will be available to all interested parties.

Senator Howell, of Nebraska, who was originally the chairman of the committee, directed Senator Bratton, of New Mexico, and myself to proceed to New Orleans on the 5th of October 1932, a few days after the primary and about a month before the general election, to hear the complaint of Senator Broussard. That subcommittee repaired to New Orleans. The charges were filed, and replies were filed. At that time the parties announced that they were not ready to proceed and asked that the committee recess in order that they might prepare their case. The committee accordingly recessed.

The committee was then composed of Senator Howell, of Nebraska, chairman; Senator John G. Townsend, of Delaware; Senator Robert D. Carey, of Wyoming; Senator Sam G. Bratton, of New Mexico; and myself, the junior Senator from Texas. Subsequently in the winter of 1933, last winter, during the regular session of the Congress, Senator Howell and Senator Carey, as a subcommittee, proceeded to New Orleans, where they held hearings for some 2 weeks or more. At the last session of Congress a reorganization of the committee took place because of the change of political power from one side of the aisle to the other, and Senator Bratton became chairman of the committee. Senator Bratton retired from the Senate shortly thereafter, and the junior Senator from Texas was selected as chairman of the committee, after the adjournment of the last session of Congress.

In the meantime, because of the death of Senator Howell, Senator Thomas of Utah and Senator Logan of Kentucky were added to the committee to succeed Senator Bratton and Senator Howell. I did not become chairman of the committee until after the adjournment of the last session of Congress on the 17th day of June. At that time the committee had a meeting and determined upon its course with reference to future hearings. We had just been through a grinding, very hard session of the Congress. Most of the members of the committee wanted to return to their homes, and it was decided that the hearings would not be resumed until October 16. That was agreed upon unanimously by the members of the committee.

At that first meeting an investigator of the committee, a man by the name of Holland, who had been employed by Senator Howell, was present. Laboring under delusions of grandeur, or something akin to that, he proceeded to express himself rather impertinently to the committee as to what the committee ought or ought not to do. As chairman of the committee at that time, I indicated to Holland that his functions were those of an employee of the committee and that the committee would decide when it would start hearings and also its general policy. At that meeting a motion was made and adopted instructing Holland to spend the time prior to the meeting of the committee in October in the preparation for the use of the committee of a great mass of material which had already been accumulated by a number of investigators whom the committee had sent to Louisiana.

The committee had five investigators at one time or another at work in the State of Louisiana, who accumulated a mass of material which the committee could not perhaps have heard had it sat in continuous session for a year. The combined time of those investigators in Louisiana amounted to 54 weeks, or more than a year for a single investigator. What the committee desired was the organization and the briefing of that testimony, because our money was about gone and we wanted to conclude the hearings in the most expeditious manner possible.

When the committee met in June, it had only about $10,000 to pay for the stenographic reporting of the hearings, salaries of employees, and the other expenses of the committee, expenses of witnesses, and all other charges. For that reason the committee thought the time of the investigator would best be spent here in Washington, briefing and preparing the evidence for the use of the committee. But he wanted to go to Louisiana. There was some little

heat in that first meeting. We retained him because he was already with the committee, having been selected by Senator Howell. He was not, except to that extent, the selection of the committee as it is now constituted.

When October 16 approached, the chairman of the committee, knowing that many of the members were at their homes, sent telegrams to all of the members of the committee and asked whether or not October 16 was still a desirable date.

Mr. CLARK. Mr. President, will the Senator yield just there?

Mr. CONNALLY. I yield.

Mr. CLARK. I should like to ask the Senator if it is not a fact that all of the $25,000 appropriated by the Senate for investigations throughout the United States was expended in the investigation of this one State?

Mr. CONNALLY. All of it was spent on Louisiana. We had $25,000 appropriated to investigate all elections in the United States. We have spent it all on Louisiana.

Mr. President, in the telegram which I sent to other members of the committee I advised them that during the week beginning October 16 I should like to be in Texas, and I should like to postpone the hearing for a short time if it was agreeable to the other members. I have those telegrams before me. In reply, I received a telegram from the Senator from Wyoming [Mr. CAREY] that his engagements were such that he could not be present at any of the hearings. I received a telegram from the Senator from Delaware [Mr. TOWNSEND] indicating that he was engaged on the Banking and Currency Committee, and it was doubtful if he could be present. I received a telegram from the Senator from Utah [Mr. THOMAS] that, although he was willing to come at any time, he preferred, if possible, that he be allowed to remain in Utah until after November 7.

I wanted to arrange the sessions of the committee to suit the members, and I knew that we could expend all of the funds that we had long before the session of Congress began; and I did not deem it important whether we met on the 16th of October or on some other date. As a result, it was finally agreed that November 13 would be an agreeable date.

When that date was agreed upon, I had already for some months an engagement for the 13th of November, so I telegraphed the Senator from Kentucky [Mr. LOGAN], who was the next Senator in rank, advising him that it would be impossible for me to be present on the first day, but that I would be there on the second day and for him to proceed with the hearing. I ask unanimous consent that that telegram be placed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The telegram is as follows:

NOVEMBER 6, 1933.

Senator M. M. LOGAN,
Bowling Green, Ky.
Senator ROBERT D. CAREY,
Careyhurst, Wyo:

Committee hearing set for November 13 at New Orleans. It will be 14th before I can reach there, but subcommittee can proceed on 13th. Have had investigator proceed to New Orleans. Please advise if you expect to be present on 13th.

TOM CONNALLY.

Mr. CONNALLY. On the 6th day of November I sent the following telegram to the Senator from Utah [Mr. THOMAS]:

NOVEMBER 6, 1933.

Senator ELBERT D. THOMAS,
Salt Lake City, Utah:

Telegram received; hearing has been set for 13th, but I shall not be able to reach New Orleans until 14th. Other members of committee can proceed until I arrive; regards.

TOM CONNALLY.

A similar message was sent to the Senator from Kentucky [Mr. LOGAN].

The investigator, Holland, was also advised by telegraph by me on the 13th day of November that I would be there on the following day.

Mr. President, I submit these telegrams and ask for their inclusion in the RECORD in order that the Senate may know the basis of some of the aspersions and reflections that have been cast upon this committee by certain partisan and bitter antagonists in the political field in Louisiana, and some of them outside of it.

The PRESIDING OFFICER. Without objection, it is so ordered.

The telegrams are as follows:

SEPTEMBER 25, 1933.

Senator M. M. LOGAN,
Bowling Green, Ky.
Senator ELBERT D. THOMAS,
Salt Lake City, Utah.
Senator ROBERT D. CAREY,
Careyhurst, Wyo.
Senator J. G. TOWNSEND,
Selbyville, Del.

The hearing on Overton election matter has been set for New Orleans for October 16. I would like to be in Texas during that week and would like to postpone the hearing until October 23 or October 30. Please advise if either of these dates will be satisfactory to you and your preference. Unless it is agreeable to members of the committee to make change I shall let the original date stand. Please advise me by wire.

TOM CONNALLY.

SALT LAKE CITY, UTAH, *September 26, 1933.*

Senator TOM CONNALLY,
Marlin, Tex.:

Wire received. Yesterday I telegraphed you through my Washington office asking if I could not remain in Utah until after repeal election on November 7. I would prefer putting off Overton hearing until November 13, which will permit my keeping several important appointments but will of course adjust my program to your and the other committee members' convenience. As soon as a decision is made, wire from you will be appreciated. Regards,

ELBERT D. THOMAS.

SEPTEMBER 29, 1933.

Mr. WILSON C. HEFFNER,
Overton Investigation Committee,
Care Senator Tom Connally,
Senate Office Building, Washington, D.C.:

After consulting other members of the committee have postponed Overton hearing to November 13. Advise Holland and suggest to him shall likely want him to precede committee by about a week.

TOM CONNALLY.

NOVEMBER 4, 1933.

Mr. JOHN HOLLAND,
Care Overton Election Investigation,
Senate Office Building, Washington, D.C.:

Committee called to meet at New Orleans November 13. Suggest you proceed there at once and carry on such investigation as possible.

TOM CONNALLY.

MARLIN, TEX., *November 7, 1933.*

Senator M. M. LOGAN,
Bowling Green, Ky.:

Telegram received. Shall stop at St. Charles Hotel. Shall not be able to reach New Orleans until 14th, and this is to authorize you and Senator Thomas of Utah to proceed with hearings as a subcommittee of full committee. Under resolution chairman has authority to appoint subcommittee to act for committee. It looks as though TOWNSEND and CAREY will not be present.

TOM CONNALLY.

NOVEMBER 13, 1933.

Senator M. M. LOGAN,
Care St. Charles Hotel, New Orleans:

Shall arrive sometime Tuesday morning. Hope you will go ahead with work of committee until I arrive.
Regards,

TOM CONNALLY.

NOVEMBER 13, 1933.

Mr. JOHN G. HOLLAND,
Chief Investigator, St. Charles Hotel,
New Orleans:

Shall arrive Tuesday morning by auto or plane. Personally shall stop at De Soto Hotel. Wish you would consult hotel about rates and advise Senator LOGAN.

TOM CONNALLY.

Mr. CONNALLY. So the committee convened in New Orleans on the 13th day of November. As already indicated, I had advised members that it would be impossible for me to be there until the 14th. The Senator from Kentucky [Mr. LOGAN] called the committee to order. At that time former Senator Broussard appeared and withdrew from the hearing the first day of the hearing on the ground that he had lost confidence in the committee. Senator Broussard had

no basis whatever for any such insinuation or reflection. The hearing was originally instituted at the request of Senator Broussard, and every consideration accorded to him. He filed a complaint in the case. A full hearing was held in February of last year at which he was present. Senator Broussard filed voluminous charges; but, so far as I know, he never submitted to the committee any one witness, but invited the committee to go out and put investigators in every parish of the State and ascertain and prove, if possible, the charges which he had alleged, simply on information and belief.

I have always entertained a high personal regard for the former Senator from Louisiana, Mr. Broussard; but he had no warrant for making the reflections and insinuations that he did.

A few days before the hearing in New Orleans Senator Broussard called me over the long-distance telephone at my home and wanted to know if the committee was going to employ counsel to conduct the investigation in New Orleans. I told Senator Broussard that at a meeting of the committee on June 17, at which it was organized, the committee had decided that we would not employ counsel, because we had only $10,000 remaining to pay all of our expenses, and the committee had decided that since there were several lawyers on the committee they themselves would examine the witnesesses and conduct the investigation. He then suggested that he would very much like to have Holland conduct the investigation as counsel. The chairman told him that he would not reverse the committee's action until the committee met in New Orleans, but that if the committee desired that course to be followed the chairman would be perfectly willing to have it done.

So the secret and the basis of the venom which was exemplified in the outbursts of the investigator for the committee lay in the fact that he was embittered at the chairman and the committee because of the unpleasantness in the June 17 meeting here in Washington, and in the fact that the committee had told him to remain here and digest the evidence rather than to go out on another trip; and he was further embittered by the fact that he wanted to be counsel for the committee, and conduct the investigation, and be on the front page of the papers every day as another "great, outstanding investigator." When that was not done the investigator, in a sensational outburst, accused first the chairman of the committee. He said the chairman was afraid to come down to Louisiana on the first day, but that he would be there on the second day. Well, I am wondering what the difference is, what the terrors are in Louisiana on the first day that vanish on the second day. Everybody knew that I would be there on the second day, and I was there on the second day. We saw no "big, bad wolf" when we got there. The other committee members were there; and in order to gain his headlines and his publicity, and have a little brief hour in the press, the investigator imputed improper motives to all of the committee, and insinuated that the committee was trying to cover up something, or to shield somebody.

Mr. President, some inquire, "Why was not the investigator discharged and disciplined?" If it had been a matter of satisfying our own personal feeling, he would have been discharged perhaps. I do not know what the other members would have said about it. He was supposed, however, to have the evidence which the committee was to use and produce. We had only a small amount of funds still at our disposal, and we knew that if the investigator were discharged it would be said by those who wanted to criticize the committee that we were trying to shield somebody and were discharging the only man who had the information available. So we kept him on, suffering the humiliation of his presence there in the committee, taking the punishment as members of the committee in order that we might perform our duty to the Senate and obey its commands in investigating the lurid chapters of politics in Louisiana and putting them before the Senate for its consideration.

That is why we did not discipline the investigator—not because he did not deserve it, not because the committee did not feel the injustice and the outrage of his outburst, but because we had a solemn duty and function to perform; and we went through the humiliating publications in the papers and the headlines reflecting on the committee in order that we might come back here to the Senate and say, "We have performed the duty you imposed upon us, and we lay before you the facts with regard to this matter."

So much for that.

Mr. President, the Senator from Kentucky [Mr. LOGAN], formerly a member of the Supreme Court of Kentucky, a trained lawyer, was examining the witnesses; and this investigator, in another outburst, intimated and said that the Senator from Kentucky did not know anything about examining witnesses; that he did not know anything about the evidence. That is recited simply to show the venom and the spleen and the malice and the treachery in the outbursts and charges which the papers placarded all over the United States.

Mr. President, what did we do and what did we find when we met in Louisiana on the 13th day of November and proceeded to hear testimony?

I do not refer particularly to the other hearings. They are here in published form. A great mass of evidence was accumulated in February; and in the hearings in Louisiana recently concluded we covered 3 weeks of grinding, merciless, toilsome work. The committee did not restrict the investigation to the strict rules of evidence. The rules of evidence obtaining in the courts were not observed. We permitted the evidence to take a wide range. Technical objections were largely disregarded all the time, and we brought on the stand within the limited time that we had at our disposal everybody we could find who was supposed to know any facts. Before we ended our investigation we had expended all the funds which had been appropriated, and there is now a deficit for which we hope the Senate will make proper provision.

Mr. President, in October 1932, when the committee first met, Mr. Rightor was attorney for Senator Broussard, and filed the charges. He stated in the first hearing his conception of what the issue in this case was. That statement appears at page 15 of the report. It is not long, and I desire to read it at this time.

> Mr. RIGHTOR. Now, what is the jurisdiction of this committee? This committee is not trying an election contest between Mr. Overton and Senator Broussard. That is not the issue. This committee cannot determine that Senator Broussard is elected. This committee is appointed solely for the purpose of determining whether or not Mr. Overton's title to a seat in the United States Senate is clean. That is all this committee can decide, and it can decide nothing else.

Mr. ROBINSON of Arkansas. The reason for that statement, as I understand it, lies in the fact that no contest was filed.

Mr. CONNALLY. Exactly. I want to call the attention of the Senate to the fact that this first hearing in New Orleans in October 1932 took place a few days after the primary but before the general election. No contest was filed with the committee by Senator Broussard for the seat in the Senate or for the nomination, and Mr. Rightor did not intend to say "title to a seat" at that time, because the general election had not taken place. What he referred to, of course, was the question whether or not Senator OVERTON'S title to the primary nomination was clean. After the committee had had the first hearing, the general election in November occurred, and Senator OVERTON was elected in the general election without any opposition whatever.

Senator Broussard did not institute any contest of the nomination in the courts of Louisiana, nor did he institute any contest before this committee, and his attorney appearing before the committee specifically stated that Senator Broussard did not claim to have been nominated in the primary. That is set forth in the report. He did not claim to have been nominated and he did not file a contest, either respecting the primary or the general election. So, in the face of that record, there being no contest either in the courts or before the committee, Senator OVERTON having been elected after that time in the general election without

any opposition, the only issue for the committee to determine and report back to the Senate was whether or not Senator OVERTON had been guilty of such fraud or corruption in the primary election as to disqualify him to be a Member of the United States Senate.

The committee undertook to secure all available evidence on that point. The charge of Senator Broussard did not claim that Senator OVERTON had been guilty personally of any fraud or corruption. He charged that the fraud and corruption had been committeed by the Long organization, or by the Walmsley organization, who were backing the candidacy of Senator OVERTON.

Mr. President, there are a number of aspects to this report to which I desire to call the attention of the Senate. As will appear in the report, there are in Louisiana several very active and aggressive political factions. What is known as the Long organization, dominated and controlled by Senator HUEY P. LONG, has general control of the State outside of the city of New Orleans. Within the city of New Orleans, what are known as the "old regulars", or the machine of Mayor Walmsley, have normally control of the city. There is a rival organization in New Orleans called the Francis Williams organization.

When Senator OVERTON became a candidate for the Senate in the primary of 1932, the State Democratic organization, or the Long organization, announced its support of Senator OVERTON, and, if I mistake not, it is in evidence that Senator OVERTON knew before he announced that we would have the support of what is called the Long organization, or machine. Later on, the Walmsley organization endorsed him. The Williams organization of New Orleans espoused the cause of Senator Broussard.

There were a great number of charges with respect to practices and methods in the primary in Louisiana. Perhaps the most serious was that which related to what was called the dummy candidate device.

In Louisiana it is permitted, in the case of parish and local offices, for anyone who files as a candidate also to file names of candidates for election commissioners, the men who control the elections. After those names are filed and the candidate gets the benefit of them, he may then withdraw his candidacy for his office and receive back his filing fee. In other words, if an organization or a machine wants to get control of the primary election machinery, it has a number of local candidates file for parish offices. They then turn in the names of their candidates for election commissioners. All of those names are put in a hat, and then 5 are drawn out, and the first 5 who are drawn out are the election commissioners. Then the dummy candidates withdraw their candidacies for parish offices, having obtained control of the election machinery.

Mr. President, under the laws of Louisiana that is permitted. The Supreme Court holds that it is a political question, and the court will not go into it. In Louisiana there is no law against corrupt practices in the primaries. There is no law in Louisiana requiring campaign managers to file sworn statements of their expenditures. There is no law in Louisiana limiting the amount of campaign expenditures in primaries.

What occurred with reference to the dummy candidate device in the city of New Orleans? Our hearings were in the city of New Orleans. We did not have funds to send for witnesses all over the State. We did not have the money. We did hear a number of witnesses who did not reside in New Orleans, but most of our investigation was in the city, because the original complaint filed with us had placed most of the charges as to corruption and fraud in the city of New Orleans.

We find that in New Orleans, out of about 1,400 election commissioners, as I remember the number, the Long and Walmsley organization, by the use of dummy candidates, secured something like 1,200. I do not know the exact figures, but it was something like 6 or 7 to 1. Senator Broussard claimed that he had not participated in the filing of dummy candidates. Senator OVERTON made a similar contention. We absolved Senator Broussard from any active participation in securing dummy candidates for his ticket, but there were some dummy candidates, as I recall it now, for candidates alined with the Broussard ticket.

There is no doubt that in behalf of the ticket upon which Senator OVERTON was a candidate there were a large number of dummy candidates filed. Senatorial candidates, however, cannot file dummy candidates. These dummies are filed by local or parish officers. They are usually filed at the direction of the political leader or manager in the precinct or in the parish. There was no testimony and no charge, as I recall it, that Senator OVERTON had personally instigated the filing of any dummy candidates in his behalf.

Mr. President, the committee, after investigating thoroughly the dummy-candidate system in Louisiana, desires to express to the Senate and to the country its hearty condemnation of any such device. Such a device invites fraud; it is a fraud upon the rights of any free people, because when the election machinery or a large number of election officers are in the control of a political machine dominated and controlled perhaps, by 1 or 2 or 3 men, it is absolutely impossible for the public ever to know whether or not all of the ballots in the boxes were put there by the voters, or were put there by these hand-picked, selected political bushwhackers. Such a practice ought to be removed from the jurisprudence of Louisiana. It is a fraud upon the people of that State. Of course, the Senate has no jurisdiction to correct legislation of Louisiana, but the resolution under which the committee was appointed instructed the committee to report the facts to the Senate, and we are undertaking to perform that duty.

We find that in the city of New Orleans, in connection with many of the boxes where dummy candidates were used, there was fraud. However, with its limited funds and because the ballot boxes had long since been disposed of, the committee were unable to determine how extensive that fraud was or what would have been the result in the city of New Orleans and in the boxes in the other parts of the State where the dummy candidates had been used.

We did, however, determine that if all of the boxes where dummy candidates had been used or where they had been filed were wholly disregarded and thrown out, that Senator OVERTON would have an apparent majority on the face of the returns of 11,382 votes. It may be pointed out, furthermore, that on the face of the returns originally Senator OVERTON had a majority of 56,529 votes.

We find that by throwing out all of the boxes where the dummies were used or where they were intended to be used, apparently Senator OVERTON would still have had a majority of 11,382. We present this finding, not because we had any power to determine he was not nominated, but we do it in response to the instructions of the Senate to report back all facts within our knowledge respecting that particular thing; and it was necessary to do so in order to illustrate this damnable scheme of the dummy-candidate device.

Mr. President, we found in the State of Louisiana that it is a practice, under the present political system of that State, to assess State employees and State officials arbitrarily and compulsorily for campaign expenditures. Such a system, where the officeholder is compelled on penalty of losing his job to contribute, breeds fraud, opens up opportunity for tremendous campaigns funds, and particularly in Louisiana, where there is no law requiring a report of expenditures, or an accounting, and where the money is turned over to the political organization dominated by perhaps one man, there is no one who knows where that money goes, or whether it is in fact used for campaign expenditures, or whether it is employed for private or personal profit of members of the organization. That is a vicious system. It ought to be condemned, and this committee condemns it in the strongest possible terms.

Mr. President, our particular function was to investigate campaign expenditures. We undertook, to the best of our ability, to perform that duty. There appeared before us the campaign managers of Senator OVERTON. We have in the record a sworn statement as to their expenditures. We summoned before us the mayor of the city of New Orleans, Mr.

Walmsley, who is the head of the old regular organization supporting Senator OVERTON. We summoned the members of the State administration, various heads of departments, who admitted that they collected from their employees—always voluntarily, of course, according to their statement—assessments for campaign purposes.

It was in evidence that in September 1932 the State officeholders and employees were called upon for an assessment of 10 percent of their salaries. Senator OVERTON's friends contended that the assessment was made to pay a deficit in the campaign expenses of Governor Allen, which had occurred in January preceding.

Frankness, Mr. President, compels me to say that the fact that the Overton-Broussard primary was held in September 1932, and that the assessment on State officeholders was made in September 1932, about the time of the primary—maybe a few days later—raises in my mind a very strong presumption that that money was collected for the Overton campaign, and for the campaign of the associates of Senator OVERTON on his ticket.

Senator OVERTON denies that. His campaign managers deny that. All of the witnesses appearing before the committee, when interrogated as to what was the purpose of their contribution, said always, "To the Allen campaign deficit." "To the Allen campaign deficit", except one, as I recall it, and he presented a check, and on the corner of the check was marked "The Overton campaign fund." It was contended, of course, that that had been written on there after the check had been cashed. Of course, we do not know; we are not able to say as to that, but I will say this for myself: I believe that some of that money collected in September 1932 was employed for the Overton campaign, and I shall tell the Senate why and how.

Mr. Seymour Weiss, the manager of the Roosevelt Hotel in New Orleans, where the Long organization has its headquarters, was admittedly the handler of cash of all campaign collections and expenditures for both the Allen campaign for governor—Allen was supported by the Long organization—and Senator OVERTON and the congressional ticket in September. Mr. Weiss testified—and the sworn report of Senator OVERTON shows—that his campaign fund was made up of a lot of contributions of rather large amounts—$1,000, $1,500, $2,500, as I recall it—from a few individuals. Some of those individuals were State officers. One of them was the Governor, one of them was the conservation commissioner, one of them was on the dock board, I believe—about the latter I will not say that I am accurate in my statement—but at any rate a group of State officials. My belief is that the contributions which were made in their names, supposedly, were really collected by them first from employees under their jurisdiction, and, of course, when they turned them in and swore that they had made those contributions, it is like the boy who said, "That's my tale, and I am going to stick to it." They had to stick to the tale with which they started out.

Personally, my belief is that the bulk of the money for the Overton campaign and the congressional campaign came indirectly from assessments on State officials and employees.

Mr. VANDENBERG. Mr. President——

The PRESIDING OFFICER (Mr. RUSSELL in the chair). Does the Senator from Texas yield to the Senator from Michigan?

Mr. CONNALLY. I yield.

Mr. VANDENBERG. Was there any evidence given as to any assessments made on Federal employees?

Mr. CONNALLY. No; I do not think so. I do not think any of the Federal employees are controlled by the organizations there, and from present prospects it does not seem that any of them are going to be so controlled. There is a Federal statute, I shall say to the Senator, providing against soliciting campaign contributions from Federal employees on Federal property, as I remember it now.

Mr. VANDENBERG. It is not confined solely to Federal property. Section 118 of the Criminal Code, as amended, prohibits even the reception of a contribution by a Federal candidate from a Federal employee.

Mr. CONNALLY. I knew there was a statute on the subject, but I did not know how broad it was.

Mr. McADOO. Mr. President——

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from California?

Mr. CONNALLY. I shall yield in just a moment, Mr. President.

Let me further state to the Senator from Michigan that there ought to be in every State of the Union a similar statute with regard to compulsory assessments on State officials and employees.

I now yield to the Senator from California.

Mr. McADOO. Did I understand the Senator from Texas correctly when I thought I heard him say that there is no law in Louisiana which forbids the collection of assessments from State employees?

Mr. CONNALLY. There is no such law as far as we ascertained. We did not go down and examine all the digests, but the testimony before the committee was that there was no law in Louisiana requiring a report of campaign contributions in primaries, no law limiting the amount, no corrupt practices act. It seems to be the conception in Louisiana that nominations are matters purely within the control and regulation of party authority.

Let me say that under those conditions the assessment of candidates is particularly vicious, because they can be assessed at the will of any political boss or dictator, and there is no accounting as to where that money goes. It is a system under which helpless employees may be made the victims of extortion, and the money cannot be traced, as to whether it goes to the private pocket or the private profit of the power that dominates the machine, or whether it is spent for campaign or political purposes.

It is a system that breeds corruption, it is wrong, it is indefensible, and this committee hopes that the State of Louisiana will correct that system.

Mr. President, were I to go into great detail with regard to many of these matters, I would consume much time of the Senate. The report is supplemented by some 3,000 or more pages of printed testimony. We bring back this testimony and this report of the committee for the use of the Senate in any contest which may be filed or in any proceeding now pending before any other committee or the Senate.

I wish to make this observation at this point, in connection with my statement of the misunderstanding of the functions of this committee: That it has never had any jurisdiction of the charges looking to the ouster of Senator LONG. That matter has been before the Judiciary Committee of the Senate, and this committee in question has never had jurisdiction of it and never had any power with relation to it.

However, the press in Louisiana was unfair to the committee; it never made clear the issues, or the functions of the committee; and, in its desire to publish sensational material and sensational stuff, it left the impression that we were down there investigating the official conduct and the official actions of Senator LONG, and Senator OVERTON, until the later stages of the committee hearings, was somewhat obliterated and overlooked in the discussion by the press.

Mr. President, the report also devotes considerable attention to general political conditions in the State of Louisiana. We have already pointed out the political organizations there. I want to say a word about those political organizations. The situation is a strange one. One year two organizations will be aligned together, allied, in supporting a certain candidate for office; next year they may be fighting each other; and the following year they may be back together. It is the queerest political situation in Louisiana that it has ever been—I started to say the "privilege"—no; I do not say "privilege"—that it has ever been the part of the Senator from Texas to observe. I do not know much about the operation of machines in the great cities of the United States, but I shall say that I believe that any expert in these other cities could take a postgraduate course if he should visit New Orleans. [Laughter.]

Mr. President, the Senate instructed us to report on general political conditions in Louisiana. The committee in its report says:

The situation in Louisiana as it relates to elections cannot be defended. The political organizations there play the political game according to the standard that the result is the important thing and the means of obtaining it are secondary considerations.

They play the game according to that standard. We find that in 1932—the year which this investigation covered—the so-called "Democratic Association of Louisiana", but more generally known as the "Long organization", absolutely dominated the politics of the State. It dictated who should run and who should not run; it dictated the candidates. In the city of New Orleans the Walmsley organization has had control for some time. In the Overton campaign these two organizations were both supporting Senator OVERTON.

We find, furthermore, that Senator HUEY P. LONG and his lieutenants completely dominate the State organization, which is known as the "Democratic Association." He not only controls the political organization but either he or the organization which he dominates controls the Governor; it controls his policies; it dominates all the State departments; it dictates who shall and who shall not run for office.

There is a very bitter factional division in Louisiana. The different groups are always at each other's throat. That resulted in this committee's being harassed and annoyed during its proceedings by howling groups. When one witness would testify favorably to one faction, half of the audience would give a great yell.

The committee tried to control that situation, but it had a very small amount of funds; the resolution required that the hearings be public, and we could not therefore hold executive sessions; we could not throw the crowd out. Then when the other side would have an inning, its partisans would yell and whoop; they would make spectacular entrances to the committee hearing. They had the hearing room packed, each crowd vying with the other as to which could get more people into the room. These were the conditions under which this committee labored. If the committee had consulted its own comfort, it would not have been there; but the committee felt that its duty to the Senate required that it stay in Louisiana in spite of these vexations, in spite of these harassments, in spite of the terrible conditions which we found there—to stay there and wade through it all in order to come back here and lay before the Senate a report as to the facts. We have done that; we have undertaken to discharge our duty to the Senate; we have not shielded anybody. Every piece of evidence that was worth while presenting was presented, and not a witness was suggested or presented by the investigator but who was put on the stand and given an opportunity to testify.

The Senator from Kentucky [Mr. LOGAN] examined the witnesses on the direct examination and also cross-examined them during the first week of the hearing. He did so in an able and distinguished manner. After the first week he was called away on official business, and for the 2 remaining weeks the Senator from Texas undertook to examine the witnesses and to cross-examine them. The Senator from Utah [Mr. THOMAS] was present, and he has knowledge as to whether or not the Senator from Texas was zealous and earnest in undertaking to develop the facts in this controversy.

Mr. President, the election box is a place that ought always to be free from fraud or corruption. That is an ideal which probably will never be attained, but, at least, the law ought to throw around the ballot box some safeguard. The law of Louisiana ought to provide for regulations governing the expenditure of campaign funds; it ought to do away with the vicious system of dummy candidates; it ought to provide further safeguards, in order that those who are elected to State offices or who come here to the Senate may come with clean hands. This is illustrated by the testimony of one Seymour Weiss.

Mr. Weiss is manager of the Roosevelt Hotel. The Long organizations have their headquarters in that hotel. Mr. Weiss is the general fiscal agent for the Democratic organization of that State, known as "the Democratic Association" or known as "the Long organization." The committee had him on the stand last February, and recently in New Orleans we had him on the stand twice. We examined him as thoroughly and as vigorously as we knew how, and here is what he testified. He testified that he was the handler of the campaign collections and disbursements. He said that when the boys came in and told him they had to have $1,500 or $2,000 in order to pay campaign expenses, he simply went out among a few of his friends and said, "Give me $2,000 or $2,500", or whatever was needed. He then took that money and immediately paid all the bills, without making any record of the expenditures, without making any record of the receipts, and without keeping any books whatever. He said he made a few little memoranda on slips of paper, which were immediately destroyed.

Mr. President, under such a system, who knows how much money was collected? Who knows how much of it came from the employees of the State government? Who knows what was done with the money after they got it? The direct testimony in this case was that Senator Broussard spent $12,270.69 and that Senator OVERTON spent $13,116.42. Neither sum was unusually large as senatorial campaign expenditures go. The testimony, furthermore, from Mr. Weiss was that in all he handled something over $30,000 in the Overton campaign. He said all that money did not go to OVERTON's campaign. There were running four candidates for Congress who had the support of the Long organization. There was also a public-service commissioner running with the Long organization support. So Mr. Weiss simply arbitrarily prorated the more than $30,000 between these various candidates by giving some money to each one of them; and he testified that he allocated—I think that is a good word—$13,000 to the campaign fund of Senator OVERTON and then prorated the remainder to the various candidates for Congress.

We had every bank in New Orleans, as I recall—I think every one—summoned with regard to campaign expenditures. There were no campaign-expenditure accounts in any of the banks; they were too wise for that. Mr. Weiss kept the money in his office, and he says that he only goes out and collects money when he needs it, and then he immediately spends it, but he does not have any bank account. There were no written witnesses against him, and so the committee can only infer as to some of the evidence, because there is no direct evidence on it; but, as I said a while ago, my own particular belief is that the campaign funds that were contributed to Mr. Weiss by the various State officials and reported in Senator OVERTON's campaign as their personal contribution were in fact made up of assessments on State employees and officeholders who had turned over their money to the various heads of departments.

Mr. President, it was also contended by Senator OVERTON'S group that much of the funds collected in September 1932 from State officeholders and employees was utilized for the purpose of helping pay the Democratic deficit in the Presidential campaign. If that were true, that would be about the only bright spot to be found in the Louisiana situation. How much of that was spent nobody knows. I believe it was claimed that about $30,000 of the money which was collected by assessment of candidates was used for the purpose of helping pay the deficit.

Mr. CAREY rose.

Mr. CONNALLY. I yield to the Senator from Wyoming.

Mr. CAREY. I do not now want to ask the Senator a question.

Mr. CONNALLY. I shall be glad to answer the Senator's question, if I can.

Mr. CAREY. I thought the Senator had made a mistake, but I find that he did not.

Mr. CONNALLY. I thank the Senator for confirming in fact my accuracy.

Mr. President, I believe that, in general, pretty much covers the situation as the committee found it. It is more accurately and exactly covered in the reports.

So far as Senator OVERTON himself is concerned, the committee did not find on the evidence that he had personally been guilty of any corruption. There was no charge that he

had. The only angle of the matter upon which the committee could possibly have acted was to infer that since his organization or the one with which he was alined used the dummy-candidate device, he would have been chargeable with knowledge of whatever frauds might have occurred.

Mr. REED. Mr. President, will the Senator permit a question?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Pennsylvania?

Mr. CONNALLY. I yield.

Mr. REED. Is not that the same situation that was shown in the Michigan case of Senator Newberry and in the more recent Pennsylvania case of Senator Vare—no personal corruption being shown against Newberry because he was not even in the State at the time of the campaign?

Mr. CONNALLY. I have not time to review those cases; but I will say to the Senator from Pennsylvania that, of course, the fact Newberry was not in Michigan had nothing to do with it, because he could have been guilty of personal corruption even if he had not been there.

Mr. REED. That is quite true, but Mr. Newberry was then an officer of the Navy and nobody pretended that he knew anything about the corrupt practices.

Mr. CONNALLY. That may be. I have not the time to discuss the Newberry case. I have a pretty able-bodied case right here before me now in Louisiana.

The committee had no power to pass on anything other than that which occurred at the primary or general election, because it was after the committee began the investigation that Senator OVERTON was elected in the general election without opposition. Mr. Broussard filed no contest in the State court and none before this committee. He appeared before the committee and specifically declared that he was not nominated and did not claim to have been nominated. While the committee did not have the right to investigate the primary or the general election with a view to determining title to the nomination or a seat in the Senate, we felt, since we had been directed to report all the facts, that we would report them back to the Senate. They are here; and if anybody wants to file a resolution to oust any Senator, those facts and the evidence are available to the Senate for that action.

There was no charge, as I said, concerning Senator OVERTON's personal participation in fraud. I might suggest to the Senator from Pennsylvania, however, that if the expenditures had been as large and staggering in his case as they were in Pennsylvania and Michigan there might have been another element; but the testimony, so far as we could get it, was that the expenses were only $13,116.42 in one case and $12,270.69 in the other, according to direct evidence. There may have been larger expenditures, but the committee was not able to get testimony on that point to prove directly that they were larger. As for myself, I have already said that I believe a large part of the assessment of officehoulders in September, 1932, was utilized for the Overton campaign through the indirect agency of being passed through the hands of the various departments who collected that money.

Mr. President, we have undertaken to do our duty with respect to the case. It has not been a pleasant duty. It has not been an easy task. It has involved sacrifice of our comfort and it has involved our absence from home at a time when all of us were submerged in official duties; but we have undertaken, irrespective of all the harassment and the unjust criticism which were heaped upon the committee, to do our duty to the country and to the Senate. We come here now and submit this report and more than 3,000 pages of printed testimony for the use of the Senate in any proceeding that may be instituted or that may now be pending before the Senate.

Let me suggest that the resolution appointing us instructed us to find out the facts with regard to campaign expenditures—that is all it said in a general way—and to report back to the Senate "to aid the Senate in enacting any remedial legislation or in deciding any contest which might be instituted involving the right to a seat in the United States Senate." That, we feel, has been done by the committee.

Mr. President, I am glad to advise the Senate that the report is unanimous. The 5 members of the committee have signed the report, the 3 Democratic members constituting the majority and the 2 minority members, the Senator from Wyoming [Mr. CAREY] and the Senator from Delaware [Mr. TOWNSEND]. It was not easy, in view of the disturbed conditions in Louisiana, always to get the truth. It was difficult. One crowd of witnesses would appear and testify to fraud in a certain ballot box and the other crowd would immediately appear and declare there was no fraud and deny all that the other witnesses had said.

We looked over all the witnesses. The committee had a difficult task to say whether they were telling the truth or whether they were not. For instance, one day a witness was produced who swore that Bill Jones—that was not his name, but that will answer the purpose—had voted in a certain ballot box, but that he was dead; that the witness knew he was dead because he saw a report in the newspaper that the man was dead. A few days later the other crowd went out and dug up "Brother Bill Jones" and produced him before the committee and made proffer of him alive. He had not died, so they said. [Laughter.] We do not know whether he was the same Bill Jones or somebody else.

That simply illustrates the difficulty we experienced in getting the facts and the exact facts in the State disturbed and distressed with violent passions and bitter partisan hatred, with several groups at each other's throats, fighting each other in one election and in the next election getting together and making common cause in order to get an office. Those were the conditions that confronted us. Some witnesses contended privately that they were afraid to testify because of the fear of reprisal against some of their kin folks who were holding jobs in the city or the State. They contended to us privately that they were afraid if they testified their kin folks would lose their jobs. They said they were afraid to testify for that reason among others.

Before I conclude I want also to say that we permitted a number of organizations and individuals to file in the RECORD charges and letters and statements regarding conditions there in order to get all of this material back to the Senate and to give everybody a day in court. A great many witnesses would make charges, but when they appeared before the committee it developed that they knew nothing of their own knowledge. They would say, "If you will go or send investigators into every ballot box in the State and stay with it, you will find it out. I know it is true, but I have no knowledge on the subject myself." That is the condition with which the committee was confronted.

We had an appropriation of $25,000 for the whole United States. We spent it all investigating this salacious story of political conditions in Louisiana. We have done the best we could. We submit the report to you, Mr. President, for the use of the Senate in the consideration of any remedial legislation and for use in any contest or other proceeding of ouster or for such other use as to the Senate may seem fit and proper.

Mr. GEORGE. Mr. President, before the Senator yields the floor I want to ask him a question.

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. Certainly.

Mr. GEORGE. Has all the evidence taken by the committee been printed?

Mr. CONNALLY. It has not yet all been printed. We have not had time to print it, but it is available and ready for the Printer.

Mr. GEORGE. It is in process of being printed?

Mr. CONNALLY. Yes; it is in process of being finally indexed and prepared, and will be sent to the Printer within a few days and will then be available to the Committee on

Privileges and Elections or any other committee or Member of the Senate that desires to see it.

Mr. GEORGE. The entire record?

Mr. CONNALLY. Yes; the entire record.

Mr. OVERTON. Mr. President, permit me to begin my remarks by making the observation that I am glad that the labors of this committee are apparently at an end, and that this investigation of my nomination is apparently at an end.

At the time the charges were filed reflecting upon my nomination I desired an investigation. I interposed no obstacle to any investigation. I raised no technical objection. The only favor that I asked at the hands of the committee was a prompt, a speedy, a full, and a fair investigation of those charges.

For a long time, Mr. President, it seemed that that request was not to be granted. Apparently, the activities of the committee—and I say this with all due respect to the committee, collectively and individually—were concentrated in an effort to investigate the senior Senator from Louisiana [Mr. LONG] from his boyhood up to the time the hearings were held. The senior Senator from Louisiana was tried, and I was not being tried.

Then a change came over the situation. It seems, as has been indicated in the remarks made by the junior Senator from Texas [Mr. CONNALLY], that the committee itself was put on trial in the State of Louisiana by the instigators of these charges against my nomination; and still I was not being tried and I was not being investigated.

Then, Mr. President, the chief investigator employed by the committee, and representing the Government, was put on trial, and I was not.

Finally, the committee has completed its labors, and I take it, has put into the record all material testimony available to the committee in connection with the charges that were made against the legality of my nomination and my worthiness to occupy a seat in this body; and therefore I begin by congratulating myself.

I do not take issue with the report of the committee. The report of the committee, insofar as I am personally and individually concerned, is, as I interpret it, not a reflection upon my character or upon my conduct, and is not a finding against the validity of my nomination and the legality of my election.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. OVERTON. I yield.

Mr. CONNALLY. The Senator will bear in mind that the committee had no jurisdiction to decide whether the junior Senator from Louisiana was elected in the general election or not. It really had no jurisdiction to decide whether he was nominated or not. No contest was ever filed. The committee was not appointed to determine any contest. Our jurisdiction was to investigate campaign expenditures and general conditions.

So I think the Senator is in error when he concludes that the Senate committee's report passed on his title to a seat in the Senate, because that happened after the committee had taken jurisdiction. The committee took jurisdiction after the primary, but before the general election.

No charge has ever been filed here against the Senator, so far as I know, as to the title to his seat in the general election. He was permitted to take his seat on the 4th of last March; and under the law, if there had been any contest of the Senator's nomination, it would have had to be in the State courts of Louisiana, because the State laws control nominations; and no Senate committee could determine who was nominated or who was not nominated, especially since the general election coming along foreclosed that issue.

So I hope the Senator will not conclude that we are giving him a clean bill of health as to his election or his primary, because we did not pass on those questions.

Mr. OVERTON. Then why the investigation?

Mr. CONNALLY. The investigation was to determine campaign expenditures. If the Senator will read the resolution, he will see that it required the committee to report on campaign expenditures, whether they were excessive or not, I suppose whether they were corrupt or not, so that the Senate could exercise any power that it had with regard to legislating for the control of primary expenditures; and then the resolution directed us to obtain such other general information as would aid the Senate in determining any future contest that might be filed. That very language showed that the committee was not supposed to pass on a contest, because the resolution said, "any contest that might thereafter be filed." None being filed, the committee had nothing to do with it.

Mr. OVERTON. Then why the purpose of investigating only campaign expenditures and campaign contributions and charges of fraud and corruption attending my nomination, unless it was the purpose of the committee to submit a report to determine whether or not, as the Senator from Texas has said, my title to a seat in the United States Senate is tainted with fraud?

I will say in reply to the junior Senator from Texas that the committee acted under a resolution of the United States Senate which directed it to make an investigation of presidential, vice presidential, or senatorial campaigns of the year 1932 for two purposes. One was in order to aid the United States Senate in enacting any remedial legislation in reference to elections. The second was in order to aid the United States Senate in deciding any contest which might be instituted involving the right to a seat in the United States Senate. Certainly the committee did not make an investigation of my primary election with a view of recommending to the Congress of the United States any remedial legislation regulating primary elections, because the Congress of the United States is without any authority whatsoever to enact any legislation undertaking to regulate primary elections; and, as the Senator from Texas well knows, the Supreme Court of the United States so decided in the Newberry case.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. OVERTON. Let me finish the thought, and then I will yield.

Certainly, then, the committee did not undertake its investigation in order to carry out the second purpose of the resolution, which was in order that it might aid the Senate in deciding any contest which might be instituted involving the right to a seat in the United States Senate, because, as the junior Senator from Texas well points out, there never has been any contest of my seat in the United States Senate. There has been no adverse claimant of my seat in the United States Senate. There was no contest of my nomination before the State tribunals of Louisiana, where there was a remedy afforded.

Mr. CONNALLY. Mr. President, will the Senator yield now?

Mr. OVERTON. Yes; I yield.

Mr. CONNALLY. The Senator said a while ago that there could not have been any purpose in passing the resolution to call for information regarding legislation as to the primaries, and he cited the Newberry case, decided by the Supreme Court. Is it not true that the Newberry case, which held that the Congress could not regulate primaries, was decided by a divided court—by 4 to 5, as I recall now?

Mr. OVERTON. That is very true. Even in a divided court, however, the majority opinion makes the law.

Mr. CONNALLY. Oh, to be sure. So far as that case is concerned, it settles that case; but there are many who contend now, here in the Senate and outside of it, that since the constitutional amendment authorizing the popular election of Senators, Congress might and could legislate regarding senatorial primaries; and that may have been in the mind of the Senate, it may have been in the mind of the author of the resolution, when it was adopted.

Regardless of that, however, the committee was bound by the language of the resolution. We are not the Supreme Court. We cannot say that a resolution, in appointing us and telling us to do this and that and the other, is unconstitutional. The committee has to obey the mandate of the Senate, and that was to get all possible information regarding campaign expenditures.

The Senator made some animadversion with regard to fraud. If the Senator will examine the record, he will find that the report says that the committee found that there was fraud; that there was fraud in the boxes where the dummy candidates were used. The committee was unable to find out all of the fraud, or the extent of the fraud, or what would have been the result if there had been no fraud; but the committee did find that there was fraud in the election in Louisiana. The committee did not find that the Senator from Louisiana [Mr. OVERTON] had personally participated in the fraud, because there was no charge that he had, and there was no probative evidence that he had, unless it simply be inferred from the fact that he accepted the support of the Long organization—which used the dummy candidates, and which shook down the State employees for contributions—that thereby he was chargeable with knowledge.

Mr. OVERTON. Mr. President, the junior Senator from Texas has given me very much to reply to in the remarks he has made since I yielded to him.

Mr. CONNALLY. I beg the Senator's pardon. I do not want to irritate the Senator.

Mr. OVERTON. The Senator is not irritating me at all. I am very glad, indeed, to undertake to cover this case to the satisfaction, if I can, of the junior Senator from Texas and to the satisfaction of the other Senators.

Rather than enter into a discussion with the Senator from Texas as to what the committee found, perhaps it may be well for me to read certain extracts from the printed report filed by the committee.

On the subject of dummy candidates, concerning which the junior Senator from Texas talked at some length, the committee declares:

> It is contended that dummy candidates filed who were favorable to both Senator OVERTON and to Senator Broussard, but Senator Broussard claims that no dummy candidates, with possibly one small exception, were filed in his interest. The evidence is conflicting on the point, but the committee exonerates Senator Broussard of any knowledge of any dummy candidate filed in his interest, and there is no evidence that he had any part in it, if any such candidates were filed. The same can be said of Senator OVERTON so far as his inducing anyone to file as a dummy candidate is concerned. Dummies were filed by organizations supporting his candidacy but no evidence that he personally directed or procured the filing of dummies was submitted.

I take it, therefore, Mr. President, that the committee exonerates me from any personal responsibility in reference to the filing of dummy candidates. I interpret the report of the committee as completely exonerating me from any implication of fraud. I quote from the report of the committee:

> There was no charge made by the complaint filed with the committee that Senator OVERTON personally participated in any fraud or with guilty knowledge approved any fraud. There was no probative evidence produced before the committee that Senator OVERTON personally participated in or instigated any fraud, unless the inference were indulged that being the beneficiary of whatever frauds would result from the employment of the dummy candidate device by the organizations supporting his candidacy he was chargeable with knowledge thereof. We cannot indulge such an inference in the face of the fact that there was neither a charge nor evidence to that effect.

Mr. CONNALLY. Mr. President——

The PRESIDING OFFICER (Mr. POPE in the chair). Does the Senator from Louisiana yield to the Senator from Texas?

Mr. OVERTON. I yield.

Mr. CONNALLY. I may say to the Senator on that point that quite a number of witnesses testified, if he will recall, that they made no charge against him personally, that the only charge they made was that he was running with the LONG crowd. That was the chief charge of some of the witnesses, that he was the Long candidate. I state that for the Senator's benefit, that there was some evidence by a number of witnesses who said, "We know Senator OVERTON, and we have no charge to make against him, but he is just running with HUEY LONG and the wrong gang."

Mr. OVERTON. Mr. President, the Senator is correct. That has been the head and front of my offending, that when I offered as a candidate for the United States Senate I accepted the support of HUEY LONG and of the Long organization. But that support came to me without any solicitation and without any agreement. I not only had the support of the Long organization, but I also had the support of the regular Democratic organization of the city of New Orleans, and that support came to me unsolicited and without any trade or dicker.

I not only had the support of these two political organizations, but I had the support of organized labor, from the American Federation of Labor on down to the local organizations in the State of Louisiana, and that support came to me without any solicitation.

Had I not had the support of Senator LONG, I state here that there never would have been any charges filed against me, and the very purpose of the instigators of these charges has not been to unseat me in the United States Senate, has not been to try to convince the United States Senate that my title to a seat is tainted with fraud, but the whole purpose, from the beginning to the end of the inquiry, has been to use the senatorial investigating committee and the United States Senate itself as a channel and a conduit by which to dump upon the senior Senator from Louisiana all the filth and the garbage and the sewage that his political opponents could accumulate in the State of Louisiana. The record shows that.

During the spring hearings of 1932, as has been well stated by a member of the committee, 90 percent of the evidence was devoted to the political career and the private life and the public life of HUEY P. LONG. They had no proof at any time by which their charges against my nomination and against my election could be substantiated. I am not now referring to the committee, I am referring to the proponents of these charges. Their very purpose was to get a printed record, under the auspices of the United States Senate, printed volumes which they could use in the State of Louisiana as their political bible in their future campaigns against the senior Senator from Louisiana.

Mr. WHEELER. Mr. President, if the Senator will yield, will he tell me whether there is a campaign being conducted in Louisiana at the present time?

Mr. OVERTON. There is a campaign on now, a Municipal campaign, in the city of New Orleans.

Mr. WHEELER. When does the election take place?

Mr. OVERTON. On January 23.

Mr. WHEELER. I presume a part of this material is being used at the present time in Louisiana, in that city campaign, for the purpose of creating sentiment either for or against one of the groups in that election?

Mr. OVERTON. It is being used. I am going to refer to some of the political uses being made of this investigation in the State of Louisiana.

In order to show the ruthless injustice of those who made these charges, and in order to show how unconscionable they are in their statements, I shall present as exhibit no. 1, in answer to the question propounded by the Senator, a dispatch from the city of Washington appearing in the Times-Picayune in the city of New Orleans, a paper opposed to me politically, and politically devoted to the purpose of undertaking to wreck the political fortunes of Senator LONG. This dispatch is dated Washington, December 21, and is as follows:

> A statement by Senator TOM CONNALLY, of Texas, dealing with the Louisiana election case, and an informal meeting of the select committee of the Senate, prompted widespread comment on this subject in Washington today. The thought was expressed that the committee seems to be growing braver since things are breaking against Senator HUEY P. LONG.

Senators know the Senators who compose this committee, and they know whether or not they are arrant cowards, whether they have shirked their duty, or whether they have conscientiously performed it. Such has been the view and conception of the United States Senate and of its committee by the opposition that the evident attempt has been made to try to frighten and browbeat and intimidate this committee into making an adverse report not only against me, but also and principally against Senator LONG.

Is this investigation being used in the campaign now being conducted in the city of New Orleans for the election of a mayor and a city ticket? I say to the Senator from Montana that it is. The junior Senator from Texas has told the Senate that the leader of the organization that was opposed to my candidacy was one Francis Williams, leader of an organization known as the Jackson Democratic Organization, and presently a candidate for the mayoralty of New Orleans.

On January 8, 1934, Francis Williams thus addressed the assembled multitudes of the city of New Orleans in the present political campaign. I quote from the Times-Picayune of January 8:

It is sufficient, I think, for me to say that both General Ansell and John G. Holland have stated to many people that if it were not for Francis Williams there never would have been any Senate investigation.

All of the people know that I saved the November Overton hearings—

That was November of last year, a few months ago.

All of the people know that I saved the November Overton hearings when Ed Rightor had fled the scene and the duty-dodging Senators were preparing to flee, too, and tell Washington that all of our anti-Long fight was bunkum; Walmsley was testifying for LONG then.

My fight to hold these scared Senators' feet to the fire is history that all know.

Senators, that is a concrete evidence and an illustration of the mendacious and unconscionable attitude of the proponents of this investigation. After publishing in the newspapers of Louisiana appeals to the people to come forward with evidence to support their baseless allegations of fraud, it was they who stood side by side with the junior Senator from Texas when he was conducting the examination of the witnesses and gave him the names of the witnesses, and a statement of what they expected to establish by them, and those witnesses consisted largely of minions and of henchmen drawn from the Francis Williams organization.

Mr. CONNALLY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Texas?

Mr. OVERTON. I yield.

Mr. CONNALLY. Does not the Senator from Louisiana realize that if the committee were to have any witnesses to develop the case it had to take the opponents of the Senator? The Senator would not expect us to take the witnesses from his own organization. The committee had to take men who were more or less hostile to the Senator, in order to get that side of the controversy. I do not think the Senator will charge that the Senator from Texas was unfair in the examination of the Senator's own witnesses who were produced before the committee; but the Senator from Texas, and other members of the committee, did avail themselves of every bit of evidence, whether it came from the side of the fence of the Senator from Louisiana or the other side, or whether it came from the streets or the alleys of New Orleans, or anywhere else. We took all available evidence and put it in the record, and brought it here to the Senate. We could not reject a witness because he happened to be aligned against Francis Williams or was against the Senator from Louisiana, or what his motives or his purposes were. We had to take what was available. I will say that there was not very much that was to the contrary.

Mr. OVERTON. I was simply pointing out to the Senate the character of those who preferred these charges, and of those who furnished the evidence, and the source from which it was derived.

I do not think it is necessary for me to detain the Senate in undertaking to analyze the testimony in reference to whether or not there was any fraud or corruption at the polls on election day in the State of Louisiana. I think I may content myself by referring to the findings of the committee, on page 18 of their report, when after devoting one sentence to certain supposed facts to which witnesses had testified, the committee goes on to state as follows:

On the other hand, witnesses were produced by Senator Overton to contradict the testimony of those witnesses who had given evidence of such fraudulent practices. One or more witnesses would testify to fraudulent practices within a particular precinct, and other witnesses would be produced to testify that no such fraudulent practices were engaged in.

I will digress for a moment to take up only one phase of this testimony, and that is an incident to which the junior Senator from Texas referred. He said that they had undertaken to establish that a dead man had been voted on election day, and, presumably, for Overton. I do not know whether or not the junior Senator from Texas knows what was back of that display of evidence on the part of the instigators of these charges, but I shall say to him, and to the Members of the Senate, that at the time these charges were filed it was stated, among other untruthful statements that were made, and which have never been supported by any evidence worthy of being dignified as proof, that on election day in the city of New Orleans "the graves stood tenantless, and the sheeted dead went gibbering" down the streets of New Orleans to cast their ballots for OVERTON. And so when the hearing came on in the city of New Orleans they placed upon the witness stand a star witness to establish that a dead man had voted on election day—only one. Peter Barros was his name. They identified him by his registration number, by his place of residence, giving his street number, and with a great deal of show and demonstration in the examination, that lasted in chief for about an hour, it was apparently shown conclusively by the testimony of this witness that Peter Barros was dead on election day; not only dead, but he had been buried; not only buried, but this witness testified that he had read his funeral notice in the newspapers, and he almost sobbed as he narrated the obsequies of poor Peter Barros.

When my time came to introduce evidence I produced Mr. Peter Barros upon the witness stand. A very worthy citizen. I identified him by his registration number. I identified him by his street address. And, lo and behold, Peter Barros testified upon the stand—not with any misgivings of doubt whatsoever, but emphatically and unequivocally—that he was alive. Not only alive then, but he went further and said that he was alive on election day and had voted. [Laughter.] Not only that, but he had a score of witnesses to corroborate his testimony that unquestionably he was alive.

That, Senators, is an example of the evidence that was adduced by the proponents of these charges.

Mr. BONE. Mr. President——

The PRESIDING OFFICER. Will the Senator from Louisiana yield to the Senator from Washington?

Mr. OVERTON. I yield.

Mr. BONE. The Senator from Louisiana has referred to a party in New Orleans by the name of Williams.

Mr. OVERTON. Yes.

Mr. BONE. It is not quite plain to me, and I assume it is not plain to others, who this party is and what his connections are down there. Would the Senator make that plain for us? What are his business connections, as well as his political connections?

Mr. OVERTON. He is a politician. He now holds the position of a public-service commissioner in the State of Louisiana. Four years ago he ran for the office of mayor of New Orleans and was defeated.

Mr. BONE. Does the Senator mean that this gentleman is engaged in regulating the rates of private utilities?

Mr. OVERTON. He is. He is now running for the position of mayor of the city of New Orleans. I know very little about his private life. I assume that answers the question and gives the Senator from Washington the information he desires.

Mr. BONE. I assure the Senator from Louisiana I am not at all familiar with the conditions in New Orleans. I merely wished to know who this party is, whose name has been used so frequently, and particularly his business connections. The Senator has made it plain in saying that he is a politician and regulating the rates of private utilities.

Mr. CONNALLY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Texas?

Mr. OVERTON. I yield.

Mr. CONNALLY. Let me say to the Senator from Washington that this public-utilities commissioner is not elected over the State at large. He represents the district in which the city of New Orleans is situated. Is not that true?

Mr. OVERTON. He represents the district in which the city of New Orleans is situated. There are three public-service districts.

Mr. CONNALLY. There are three districts in the State; and the public-utilities commissioners are elected, not at large, but one from each district; and, as I understand, this Mr. Francis Williams represents the district in which New Orleans is located.

Mr. OVERTON. The junior Senator from Texas has dwelt for some time upon the question of dummy candidates. He has for the most part given a correct statement of the law in reference to dummy candidates. Dummy candidates are permitted by the law of Louisiana. They are permitted by a statute that was enacted in 1922—over 10 years ago—during the administration of John M. Parker. They have been used in different elections in the State of Louisiana for that period of 10 years by different candidates, different factions, and in various elections. Legislature after legislature has convened, governor after governor has been elected, and there has been no change in or amendment to the Louisiana primary election law in respect to the filing of candidates.

The Senator is in error in stating that a candidate for United States Senator cannot have other candidates file for the same office and cannot use them in filing the names of commissioners.

Mr. CONNALLY. Mr. President, will the Senator from Louisiana yield?

Mr. OVERTON. If the Senator from Texas will let me finish the thought, I will yield.

Mr. CONNALLY. I beg the Senator's pardon.

Mr. OVERTON. And perhaps when I shall have finished I shall have given the Senator the information he desires.

It is only when there are local candidates that other candidates cannot file the names of commissioners. The local candidates are those for the upper and lower houses of the Louisiana Legislature and for parochial and municipal offices. There were no State senatorial or legislative candidates in the September primary; it was not a State election. There were some local candidates for school boards. In one of the wards of a certain parish in the State of Louisiana friends supporting the candidacy of my opponent, Senator Broussard, filed 18 dummy candidates in that parish; but where there are no local candidates the candidate for United States Senator may file commissioners.

It is said, and correctly said by the committee, that Senator Broussard did not file any dummy candidates for that or for any other office. It is correctly said that I did not file any dummy candidates for the office of United States Senator or for any other office.

Now, just one step further. These dummy candidates were filed by various local candidates. When they are filed there is a remedy pointed out in the Louisiana statute. It gives to an opposing candidate for the same office, or any member of the committee, the right to go before the committee calling the election to object to the candidacy and have the committee pass upon it. No one else has that right. Neither I nor Senator Broussard could have gone before any committee in the State of Louisiana objecting to the candidacy of anyone. I had nothing to do with the entering of a single dummy candidate. I do not approve of the dummy candidate device. The record shows that I so said upon the stump; the record shows that I so said in my testimony; and I say so here. However, I had absolutely no control over it. I could not go before any tribunal and object to them. I could not go to the opposition and say to them, "You are friends of Broussard; your candidates are supporting Broussard, and you filed dummy candidates in the interest of your own campaign, and, perhaps, of his campaign; and I want you to withdraw them." They would have laughed me to scorn. I could not go to those who were supporting me, the different local candidates, the candidate for the office of public service commissioner and the others who filed dummy candidates and say to them, "You have got to withdraw these candidates or I will denounce you upon the stump."

We may talk about the purity of politics. Counting myself to be only an average Senator, and a meek and humble one at that, not ascribing to myself any virtues that I do not possess beyond those of the ordinary average man, it is well enough in the investigation, for instance, of the title to a seat in the United States Senate to bring out the local conditions brought about by candidates who had no control over them and then to deplore those conditions and to denounce them. However, when we are candidates for office we are confronted with a situation and not with a theory. I either had to go on with my campaign or withdraw from it, and I went on. I am practical enough to agree with Thomas Babington Macaulay when he said, "I prefer an acre in Middlesex to a principality in Utopia". We may dream this Utopian dream of absolutely pure politics, and we may thoroughly agree with the junior Senator from Louisiana that it is wrong—it is all wrong—that there should be contributions on the part of any State employees toward any political campaign.

Mr. CONNALLY. The Senator means to refer, I think, to "the junior Senator from Texas" and not to the junior Senator from Louisiana.

Mr. OVERTON. I beg pardon of the Senator from Texas, but in spite of what the Senator from Texas has had to say in reference to political conditions in Louisiana, I venture the suggestion that in alluding to him as "the Senator from Louisiana" I perhaps paid him a compliment, and this with all due respect to the magnificent and imperial State which with so much honor and credit he represents in the United States Senate.

Mr. CONNALLY. I thank the Senator. [Laughter in the galleries.]

The PRESIDING OFFICER (Mr. DUFFY in the chair). The occupants of the galleries will refrain from any demonstrations of approval or disapproval.

Mr. OVERTON. Mr. President, it may be all wrong that employees contribute to campaign funds, but no one need shake his gory locks at me when it comes to that suggestion. The campaign contributions to my campaign were set out by my campaign managers at the very outset of this investigation. This committee has ransacked the State of Louisiana from the Arkansas line to the Gulf through a staff of investigators—so euphoniously called, but in reality detectives—who undertook to unearth every kind of evidence anywhere that could be found to show that the statements which I had filed were incorrect. In the State of Louisiana there are thousands upon thousands of State employees, hundreds of whom have been discharged from employment since my election, and yet out of that vast array of employees, notwithstanding the persistent efforts of these investigators and the appeals made to the citizens of Louisiana through the public press, they were unable to show one single contribution made to my campaign and entering into the coffers of the committee, except the contributions which I set forth through my campaign managers in the report filed in connection with this proceeding.

Contributions were made to me by personal and political friends, some 14 in number. There were only three employees who testified that, although they made contributions after my election, they thought they were contributing to the Overton campaign. One of them, Mr. Welsh, was shown to have been false in his statements in other particulars. Another was a Mr. Harris. The name of the other witness I do not recall, but I am perfectly willing to ascribe to them the best of motives in giving that testimony, because immediately after my election the Times-Picayune, the Daily State, and other local papers in the State of Louisiana declared that contributions to my campaign were being

raised by solicitation from the employees of the State of Louisiana, and when they did make a contribution perhaps some of them thought they were contributing to the Overton campaign, but the overwhelming weight of the testimony shows the contrary.

Those who got the contributions, those who solicited them from employees, those who turned them in, showed that none of them were ever solicited for or received by the Overton campaign managers; but they were solicited, for what? First, they were solicited for what is known as the Welfare Relief Fund in the city of New Orleans, beginning in July 1931, and ending in April 1932. Second, in order to cover what is known here as the Allen deficit. That was a deficit arising out of the Allen gubernatorial campaign, occurring in January 1932; and to cover certain other deficits connected with the Louisiana Democratic organization. But only three witnesses have testified that any of those contributions were made or intended to be made to my campaign. On the other hand, those who did collect campaign funds for me, and those who contributed them testified that they contributed them out of their own pockets, and they stated to whom they were given, and an account was rendered. There was a third collection. At the time immediately following my election when the two great national parties had their candidates afield an effort was made to raise a campaign fund for the Roosevelt campaign in the State of Louisiana. It was known as the Roosevelt Victory Fund. Requests were made on the part of citizens to make contributions to the campaign. These requests were not bringing such great results. Thereupon those in charge of different departments of the State of Louisiana were appealed to raise money for the Roosevelt Victory Campaign Fund.

The junior Senator from Texas placed witnesses on the stand in November and December to prove that those city employees and State employees contributed to the Roosevelt victory campaign fund. It may have been all wrong. It may have been wrong for the National Democratic Committee to have accepted such contributions. It may have been wrong for the National Republican Committee to seek, as I understand they did seek, to obtain contributions from officeholders under the Federal Government. But these are the facts. So far as my own contributions are concerned, they did not come from any State employee, but they came from my personal and political friends.

The junior Senator from Texas said—though I do not find any such presumption as that being indulged in by the committee in its report—that he is laboring under a strong presumption that "OVERTON got contributions from employees." I shall ask the junior Senator from Texas to point to the testimony of a single witness, aside from the three I have mentioned, that goes to show that any State employee testified that he ever contributed to my campaign. So much for that.

Mr. President, the junior Senator from Texas has stated that I was nominated. I was nominated. Out of 306,000 votes polled in the State I received a majority in excess of 56,500. I carried the city of New Orleans by over 25,000 votes. I carried the rest of the State, known as the "country parishes", by over 30,000 votes. I carried 48 out of the 64 parishes of the State of Louisiana. I carried 7 out of the 8 congressional districts. I carried north Louisiana and south Louisiana, northeast Louisiana and southeast Louisiana, northwest Louisiana and southwest Louisiana, east Louisiana and west Louisiana.

The State of Louisiana may be divided along any geographical line, and yet I received a majority in each subdivision. I carried the parishes where dummy candidates were filed, and I carried the parishes where they were not filed. I ran as well if not better in the nondummy parishes than I did in the dummy parishes. In the Fourth and Fifth and Eighth Congressional Districts there were no dummy candidates filed or even suggested. I carried all three of those districts. I carried 25 out of the 29 parishes constituting those four districts. Therefore, Mr. President, I was nominated.

Could my opponent have claimed the nomination, had be been nominated instead of myself, had he been deprived or cheated of his nomination by the perpetration of fraud or corruption or irregularity, he had his remedy under the primary election law of Louisiana. That law gives the right of action to any candidate who claims to have been nominated to go into court and allege the fact, and, if he is shown to have been nominated, he will be so declared by the judgment of the court.

Senator Broussard not only did not claim the nomination in the courts of Louisiana, but he stated here upon the floor of the Senate in February of 1933 that he did not claim and could not claim the nomination. In the hearing held in October 1932 in New Orleans his attorney, Mr. Rightor, stated:

> I concede that Senator Broussard, neither by the courts of Louisiana, the political committee of Louisiana, nor any judicial or legislative body, can be declared nominated.

Let me say, Mr. President, that Senator Broussard not only had his remedy in the courts if he had been nominated, but the primary election law of Louisiana bristles with penalties for the perpetration of fraud or corruption or irregularities or a violation of most of its provisions. There was not one single charge made against any individual, no affidavit, no indictment, no prosecution of anyone in any court or parish of the State of Louisiana, by reason of any charge of fraud or irregularity or illegality in the September 1932 nominating primary in the State of Louisiana.

Following that, in the general election I had no opposition. Those charges had been broadcast throughout the State of Louisiana. They had been published in the different newspapers of the State. But no opposing party ran any candidate against me, no one ran independently, and out of 249,189 votes cast I received all with the exception of 3 scattering votes against me.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Texas?

Mr. OVERTON. I yield.

Mr. CONNALLY. Will the Senator explain to the Senate the law of Louisiana with regard to how an independent candidate or the candidate of any other organization could have run against the Senator in the general election?

Mr. OVERTON. Yes. He could be nominated by his political party, either through primary or convention. He could be nominated on petition. In addition to that the ballots have a blank space in which the name of any other candidate can be written by the voter. There are three methods of nomination, according to my recollection.

Mr. CONNALLY. Is there any requirement of law as to when such a convention should be held? In other words, was it possible, after the Senator was nominated in the primary, for anybody else or any other organization to have met and nominated a candidate for the Senate against the Senator?

Mr. OVERTON. Yes; they could have.

Mr. CONNALLY. Could a private individual, if he wanted to run as an independent, have gotten his name on the ticket against the Senator in the general election? How would an independent candidate have gotten on the ticket?

Mr. OVERTON. By nominating petition.

Mr. CONNALLY. How many signers are required for that?

Mr. OVERTON. I do not remember. It is not very many, but I do not remember that detail.

Mr. President, notwithstanding that fact, notwithstanding that I was conceded to be the nominee of my party, notwithstanding that I had no opposition in the general election, notwithstanding there has never been any contest involving either my nomination or my election, notwithstanding that I presented my credentials to the United States Senate and they were received and I was sworn in without opposition, there has been an investigation of 15 months in respect to my nomination. That investigation was never prompted by any purpose to investigate the legality of my nomination. The junior Senator from Texas will recall that when these charges were preferred and he, in

company with the then junior Senator from New Mexico, Mr. Bratton, went to the city of New Orleans in October 1932 to conduct a hearing, he and Senator Bratton called upon the proponents of the charges to produce their evidence and their proof. They had filed long documents, undertaking to challenge the legality of my nomination, and they had sworn to them; and yet, when they were called upon to produce their witnesses and to produce their evidence, they stated to the subcommittee that they did not have a single witness, and they did not have any evidence; and why? Because it was not their purpose at the outset to make an investigation of my nomination and election; but it was the purpose to conduct, through the instrumentality of this committee, an anti-Long campaign in the State of Louisiana.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Texas?

Mr. OVERTON. Yes; I yield.

Mr. CONNALLY. The Senator said that these charges presented to Senator Bratton and myself in October 1932 were sworn to. I think it ought to be made to appear that they were sworn to on information and belief only.

Mr. OVERTON. Why, there has been nothing at all in this investigation except information and baseless charges.

Mr. CONNALLY. What I meant was those who made the charges swore to them on information and belief, and did not contend that they had personal knowledge of the matters charged, but invited the committee to send out investigators and find out.

Mr. OVERTON. The Senator is correct; and I am wondering whether the junior Senator from Texas will agree with me that throughout the course of this investigation, barring the time when he and the junior Senator from Kentucky [Mr. LOGAN] were examining the witnesses, the principal witnesses and almost the exclusive witnesses were the witnesses known as "Mr. He says" and "She says" and "They say", and "I done heard where somebody said so-and-so once upon a time"?

Mr. CONNALLY. The Senator from Texas has already indicated that in the course of the investigation the committee did not observe the strict rules of evidence obtaining in the courts but that the committee, in order to get all available information, had disregarded those rules and permitted the testimony to take a wide sweep, consisting, of course, of hearsay, and frequently of rumor, and things of that kind; and that is as far as the Senator wants to go. I should not care to become involved in an argument with the Senator about that, but I want to say that when Senator Bratton and the junior Senator from Texas went to New Orleans in October 1932 and these charges were filed by Senator Broussard it was then argued by the junior Senator from Louisiana [Mr. OVERTON] and his attorneys that these charges were demurrable.

Mr. OVERTON. Only on one ground, were they not, if I may be permitted to interrupt the Senator, and that was on the ground that they were vague and general and there were no specific allegations?

Mr. CONNALLY. That is true.

Mr. OVERTON. And we were simply asking for information.

Mr. CONNALLY. But what I was getting at was that the Senator's side contended that they were demurrable for those reasons; but Senator Bratton and the junior Senator from Texas at that time ruled that we would not hold the investigation according to the strict rules, and that we would proceed with it and not dismiss it on any technical ground of demurrer or general or special exception. I wanted to make that clear, because it was at the invitation of Senator Broussard that this investigation was begun, and we opened the gates wide; and we gave every opportunity at that time and since that time, so far as the committee was able to give it, to anybody to hear and present these charges without technical rules of evidence or technical rules of pleading.

Mr. OVERTON. The fact remains, Mr. President, that the charges were preferred; and I am not saying it because I have regretted any investigation. I have, of course, regretted the fact that any charges were made reflecting on my title to a seat in the United States Senate; but, once they were made, I desired an investigation of those charges, and not an investigation of extraneous matters. The fact remains that these charges were preferred, and an investigation ordered, when there was no question about my nomination, no question about my election, no question about my credentials; and when those who preferred the charges were called upon by the subcommittee to produce their proof, they stated that they had no proof whatsoever.

I do not recall whether or not the junior Senator from Texas made any statement—I think he did—to the effect that no evidence was adduced reflecting upon my character or my standing.

Mr. CONNALLY. I do not think the Senator from Texas made any statement with regard to those particular words. The Senator from Texas said that there was no charge and there was no evidence of probative character that connected the junior Senator from Louisiana with participation, personally or directly, in any fraud in the election. That was the matter we were inquiring about; not as to the Senator's standing generally.

Mr. OVERTON. I think the junior Senator from Texas will agree with me that amongst all the hundreds and hundreds of witnesses who were examined, and in all the thousands and thousands of pages of testimony that were taken, there was not a single witness who made any statement or any remark reflecting upon my character, upon my standing, or upon my conduct. If there are such statements, the record is there, and I should like any member of the committee, or any Member of the United States Senate, to point to any such declaration on the part of any witness. On the contrary, Mr. President, if I may be pardoned for making these personal references—one of the questions, probably, that the Members of the Senate would like to consider is whether or not I am worthy of occupying the seat that I presently hold—on the contrary, the junior Senator from Kentucky [Mr. LOGAN], who had read the record of the prior hearings, and who was present at the last hearing, stated in the midst of the hearing, on October 14, 1933, as follows:

> I have listened carefully and have never heard one man or woman say a word against the character, standing, or fitness of Senator OVERTON to sit in the United States Senate. Not a man has said it, not even Senator Broussard or anyone else.

Following that, the committee placed upon the stand Mr. Allen Sholars, a prominent lawyer of the city of Monroe, who is opposed to me politically; and he made the statement that he had known me since boyhood, and that it was inconceivable to him that I should at any time be guilty of any fraud, corruption, or intimidation.

Mrs. Ruffin G. Pleasant, wife of ex-Governor Pleasant, both of whom were opposed to me politically, upon the witness stand made this statement:

> I would have supported Senator OVERTON, and I have a great admiration for him personally, had he not alined himself under the banner of HUEY P. LONG.

Mr. George C. Kernion, a prominent lawyer of New Orleans and a member of the so-called "Honest Election League", made this statement:

> I would have supported OVERTON for any office in the State of Louisiana if he had not hooked up with Huey.

Had I not been alined under the banner of HUEY P. LONG; had I not "hooked up with Huey."

That, as I stated, is the head and front of my offending. That is the reason why these charges have been preferred and this investigation has been requested. If it had not been for my alinement with the senior Senator from Louisiana, as the record well shows, the charges would not have been preferred; or, if I had divorced myself politically from him, the charges would have been dropped.

There goes with that left-handed compliment on the part of these witnesses another imputation. You do not find any evidence of it in the record, but you find statements to that effect published from time to time in the newspapers, and in

some having a national circulation, that I am politically subservient to the senior Senator from Louisiana.

Mr. President, I hope that such an imputation is too absurd and too ridiculous to require any answer upon my part. I have been active in the political life of Louisiana for over a quarter of a century. I had never held any office until in 1931 I was elected to the House of Representatives. I have taken an active part in the politics of Louisiana and have tried to do my part in aiding those who had charge of the administration of its affairs.

I campaigned in 1912 in the State of Louisiana for Gov. Luther E. Hall, who was elected in that campaign, and I helped him in his administration. I never asked him a favor.

In 1916 I campaigned in Louisiana for Ruffin G. Pleasant, who was elected governor, and undertook to aid him in the administration of his affairs of the State. I never asked him a favor and received none.

In 1920, when Hon. John M. Parker, advertised throughout the United States as one of my bitter political foes, announced his candidacy for the governorship of Louisiana he requested me to preside at his opening meeting and sound the keynote of his campaign. I did so, and during his administration I never asked and never received a favor.

In 1924 I campaigned for Gov. Henry L. Fuqua, who was elected Governor, and never did I ask any favor at the hands of his administration.

In 1928, when HUEY P. LONG announced for the governorship, he, too, requested that I preside at his opening meeting and sound the keynote of his campaign, and I did so. I digress for a moment to say that in sounding the keynote of his campaign I stated that for years and years Louisiana had been under different gubernatorial administrations, that I had seen them come and had seen them go, and that little had been accomplished for the people of my native State, but that I felt that Senator LONG had the vision and the energy and the courage to bring about a different order of things in the State of Louisiana.

Senator LONG had declared that he was going to drive from office those who had been in power so long in the State of Louisiana and was going to undertake to infuse new blood into the body politic of that State. He declared that he was going to impose just taxes upon certain corporate interests which had theretofore escaped their just proportion of the burden of taxation, and use the avails of those taxes for the benefit of the people of the State of Louisiana. And he did so.

As Governor, HUEY LONG gave to the State of Louisiana not only the best and most constructive administration that State has ever had, but he accomplished more for the State of Louisiana than any or all Governors within my experience had done for it. He built up its public institutions, he paved its roads, he bridged its streams, he improved its eleemosynary institutions, and I say to the Senate that when the senior Senator from Louisiana has been gathered to his fathers and when those who now so persistently and cruelly undertake to persecute him politically and to wreck his career have long since been moldering in the ground the result of his constructive program as Governor of Louisiana will still live to bless and glorify that State. So much for that.

When my opponents undertake to say that I would crook the pregnant hinges of the knee to the senior Senator from Louisiana or to anyone else with whom I have been allied in the past politically or whom I have aided, they are in error. Perhaps one illustration will suffice. When I came here during the special session of Congress and was inducted into the office of United States Senator I played a meek and humble part, as became my ability and the newness of my presence in this august body. It will be recalled that the senior Senator from Louisiana was reputed to be fighting the Federal administration. It will probably be recalled by some of the Senators that with one exception—and that was in respect to the veterans' pay cut—I upheld the President's program, and that I took occasion to say to the Senate in the course of some remarks I was making on the farm-relief bill that I considered it the duty of Senators, Democratic and Republican, to go as far as they could conscientiously go in upholding the program of our President, for the reason that he had received, as it were, a mandate from the people of this Nation to undertake to lift it out of the slough of despondency and depression and despair into which it had fallen.

While I am upon that subject, permit me to say that I hope that I shall, at all times, have sufficient regard for my office as United States Senator not to follow blindly or slavishly the suggestions of anyone, high or low, be he President of the United States and the titular head of my party, be he the majority leader of my party in this body, who so ably represents the democracy of our Nation upon the floor of the United States Senate, or be he a political leader from the State of Louisiana, or a ward leader, or the head of any organization.

Mr. President, the animus back of this entire investigation has been an effort, not to get me, but to get LONG, and in undertaking to accomplish that purpose, his opponents have used my nomination and election as an excuse, and in undertaking to accomplish that purpose they have sought in the public print, through lying pens, and lying tongues, to belittle me, and to hold me up to public ridicule.

Mr. President, does the Senate want better evidence of the character of the opposition than what this investigation itself affords? The junior Senator from Texas has given it to the Senate in part. When the committee first went to Louisiana to conduct the hearing, in October 1932, Senator Connally and Senator Bratton, sitting upon the subcommittee, said that the investigation would be confined to an inquiry into my nomination and election, and those urging the investigation stated that they had no evidence to offer and no proof. That is not what they wanted. They wanted an investigation into LONG and his political career.

In February 1932 a subcommittee, headed by the late Senator from Nebraska [Mr. Howell], went into the State of Louisiana, accompanied by an attorney from the city of Washington, who so far forgot his duty as a representative of a committee of the United States Senate undertaking to find out the truth, the whole truth, and nothing but the truth with respect to the subject of its inquiry, that he converted himself not into a prosecutor but into a veritable persecutor not of me but of the senior Senator from Louisiana. Every witness who had any canard or story or lie to tell about LONG, anybody who had any story that had been used in campaign after campaign in the past in Louisiana, anyone who had any whispered rumor which he could reveal through hearsay evidence or in any way was given liberty to take the stand and was examined at length, and the private and political life of LONG was gone into from the time of his young manhood up to the time of the hearing, his first race for the public service commission, his second race for the public service commission, his race for the governorship, his election as governor, his attempted impeachment, his campaign for the United States Senate. Then, when the Senate subcommittee composed of the junior Senator from Kentucky [Mr. LOGAN], the junior Senator from Texas [Mr. CONNALLY], and the junior Senator from Utah [Mr. THOMAS], went on the last visitation into the State of Louisiana and made the statement that the inquiry must be confined to the allegations of fraud and corruption and irrigularity attendant upon my nomination, confined to the 1932 election, what did our opponents do? These poor, defeated, disgruntled, and lost souls withdrew from the contest!

First, Mr. Burt Henry, chairman of an intervening organization, self-styled the Honest Election League—Mr. Burt Henry, from whose face, when I got him upon the stand, I tore the mask of hypocrisy—stated under oath that the Honest Election League was a nonpartisan league in the city of New Orleans, and yet upon the witness stand he had to admit that all of the 15 members of its executive council, and all of the members of its administrative board, and everyone connected with it, as far as he knew, were active supporters of Senator Broussard.

Mr. Burt Henry withdrew from the contest. Then Mr. Edward Rightor, attorney for Mr. Broussard, got up and withdrew, and then Senator Broussard in person withdrew. As each one of them arose to sing his swan song, each indulged in a criticism of the members of the committee of the United States Senate that is not only totally unjustified but will be shocking to anyone who will read what the record shows. Those who are back of the charges against me in my election arose and said, one after another, that this committee was a partial committee; that it was there for the purpose of whitewashing my election; and, as they proceeded to excoriate and denounce the members of the committee, as the junior Senator from Texas has said, their backers were there urging them on to the contest, while cries of "Cowards" and "Yellow" came from the lips of their claquers.

I do not know of any parallel to it in human history, or in literature, unless perhaps it is the scene that is pictured by Milton in his Paradise Lost, when the demons of hell were lying prostrate upon the burning marl, after their defeat, and were called together in Stygian conclave, and they arose one by one and hurled their defies against constituted authority, uttered their creeds of hate, and declared universal and unrelenting warfare upon mankind.

As these modern Belials and Beelzebubs and Mammons and Molochs arose upon this occasion in that investigation in the city of New Orleans, they, too, sang their hymns of hate, denounced constituted authority, and declared everlasting warfare upon anyone who dared, or whom they thought dared to cross them in their purpose.

Mr. President, I have delayed the Senate longer than I had expected. I think, if I may with propriety do so, that I can draw some conclusions that may be of benefit to the United States Senate from the experiences that I have undergone in this investigation.

It is my conviction, Mr. President, that there ought not to be an investigation of any election by any committee, unless it be done upon cause shown, and by direction of the Senate itself.

I do not think that one elected to the United States Senate, and sent here by his sovereign State, ought to be subjected to a 15 months' investigation by reason of the statement of a defeated opponent, who admits his defeat, and who declares that his allegations are made entirely upon information and belief.

I think there ought to be a senatorial decision upon the question of whether or not there should be an investigation of an election, unless it be a contested election, perhaps, and sent to the Committee on Privileges and Elections.

I think another suggestion may be made, and that is that no committees undertake to investigate any nominating primaries, whether they be primaries of the Democratic Party or of the Republican Party, or any other party, unless, perchance, they are intimately connected with a general election, where the right of a seat to the Senate is actually contested.

I will make this further suggestion, that whenever a Senate committee is sent out to make an investigation, especially a political investigation, that it be armed with sufficient authority to command proper respect for its proceedings.

Mr. VANDENBERG obtained the floor.

Mr. CONNALLY rose.

Mr. VANDENBERG. Does the Senator from Texas desire to respond to the Senator from Louisiana?

Mr. CONNALLY. I wish to respond in just about three words.

Mr. VANDENBERG. I yield to the Senator from Texas.

Mr. CONNALLY. Mr. President, the Senator from Louisiana seemed to challenge my statement that my personal belief was that a good portion of the campaign funds given to his campaign came from assessments of State employees. My reason for making that statement was this: That among the contributors reported by Senator Broussard was, for instance, Abe L. Shushan, New Orleans, La., $1,000. Mr. Shushan is the head of one of the State departments, is he not?

Mr. OVERTON. Yes. Not only that, but he is connected with the administration that I helped very much to put in power, and with the prior administration that I aided very much in putting in power, and one whom I have known for years and with whom I have been politically associated. That fact applies, also, to other contributors that may be mentioned.

Mr. CONNALLY. Mr. Shushan, who gave a thousand dollars, was a State officer whose employees had made contributions to Mr. Shushan; Mr. Maestri, who gave $2,500, was the head of a State department to whom employees had turned over money from their salaries for political purposes. O. K. Allen, who gave $2,900, was the Governor of the State, head of all of the executive departments, and these employees had been assessed. Mr. J. M. Nugent, who gave $750, was on the highway commission, I believe. Was he not?

Mr. OVERTON. Yes.

Mr. CONNALLY. The members of the highway commission had been assessed, and possibly some of those members contributed.

What the Senator from Texas meant to say was that this assessment having been made in September, on September salaries, and the primaries having been in September, he believes that those State officers, when they pretended to contribute of their own private funds to Senator OVERTON'S campaign, were in fact turning over the assessments which they had collected from their employees. The committee makes no specific finding on that, because there was no direct proof, but the committee cannot close its eyes and its conscience to deductions and inference when they are supported by the testimony and the proof. The Senator from Texas merely expressed his individual conviction that these contributions of the parties named were not made out of their own pockets, but were first collected from their employees, and then turned over to the campaign fund as their personal contribution.

I wish to say that while the Senator is still on the floor, so that he can make any reply he wishes to it. By that I do not mean that the junior Senator from Louisiana had knowledge of those facts, or instigated them, or inspired them, but the Senator from Texas does believe that those parties, being a part of the political machine of Louisiana, of a State organization controlled by Senator LONG, assessed their employees, and he believes that that money, after finding its way into the hands of those State officers, was then turned over to the campaign fund as the private contributions of those individuals.

Mr. OVERTON. Permit me to say in reply to the junior Senator from Texas, that I not only have no knowledge that those contributions were obtained through assessments upon employees, but as far as this record shows, and as far as I know, no one else possesses such knowledge. There is not the slightest bit of evidence in the record that those gentlemen who contributed to my campaign ever obtained those contributions from their employees, or solicited contributions from their employees, with the exception of three isolated witnesses, to whose testimony I have heretofore referred.

The junior Senator from Texas indulges in a presumption, but I am quite sure that the junior Senator from Texas wishes to be perfectly fair, and I should say that he is perfectly fair in his statement to the Senate, according to the views that he takes; but he will certainly agree with me that it is a presumption that is not supported by, at least, any direct proof, and is indulged in by the Senator by reason of the fact that some of those who contributed to my campaign held positions officially in the State of Louisiana.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. OVERTON. I yield.

Mr. CONNALLY. The Senator from Texas explicitly stated that there was no direct, positive evidence that these funds were of that kind, but the Senator from Texas knows that matters can be proved by circumstances just as conclusively as they can be proved by eyeball testimony, and the Senator from Texas contends, from the circumstance

that the collections occurred in September and that the primary occurred almost contemporaneously, that the assessments were turned over to the State officers, and that the State officers then turned the money over to Senator OVERTON'S campaign manager, Mr. Weiss, and that Mr. Weiss was the pay-off man, who made a contribution himself of $500. The Senator from Texas, as a very mediocre lawyer, thinks that he is warranted in the conclusion, in his own mind, that the funds assessed against the employees found their way into the campaign fund.

Mr. OVERTON. While the Senator is on his feet, will he answer two questions which I should like to propound to him?

Mr. CONNALLY. I do not want to become involved as a witness.

Mr. OVERTON. I am not asking the Senator to testify as a witness.

Mr. CONNALLY. The witnesses have been treated so roughly by the Senator from Louisiana that I do not care to get into that category.

Mr. OVERTON. I am merely asking the Senator to testify from his familiarity with the record. Is it not a fact that campaign contributions were taken for the welfare relief fund in the city of New Orleans? Is it not a fact that some $300,000, during the course of pretty nearly a year, were contributed by different employees to the welfare fund of the city of New Orleans?

Mr. CONNALLY. The Senator from Texas will state that, so far as the city employees are concerned, that is true. All the testimony that was available was that they had contributed the deductions from their salaries for welfare or relief purposes. The Senator from Texas, though, was referring to State employees when he said they had been assessed 10 percent of their salaries in September 1932, and then the money had been turned over to the heads of departments; and the Senator from Texas believed that the assessments then went from the heads of those departments into the campaign fund. The Senator from Texas wants to be fair to the Senator from Louisiana.

Mr. OVERTON. I am sure the Senator does.

Mr. CONNALLY. And the Senator from Texas is trying to state the facts as he recalls them.

Mr. OVERTON. I am sure of that, but the Senator had become somewhat confused during the course of the inquiry in New Orleans on the subject of contributions, and I should like to get the facts straight in the RECORD. Is it not a fact that not only the city employees but the State employees of the city of New Orleans contributed to that welfare fund?

Mr. CONNALLY. That was the testimony; but the amusing thing was——

Mr. OVERTON. Is it not also true that contributions were made by State employees to the welfare-fund deficit, and the Allen deficit, and some other deficits connected with the Louisiana Democratic Association?

Mr. CONNALLY. There was a great deal of testimony to that effect. The amusing thing about it was——

Mr. OVERTON. Before we get to "the amusing thing"—because I am rather serious about it—is it not also true that the third collection from employees was the collection made from the city and State employees, as shown by countless witnesses who were put on the stand by the Senator, for the purpose of aiding the victory fund or the Roosevelt campaign fund?

Mr. CONNALLY. The committee sets forth in its report that it was stated and claimed that a large portion of the money which was contributed was used to help pay a deficit in the Democratic national campaign fund; and the Senator from Texas so stated on the floor, but as to the relation between the relief administration and the relief contributions and the Senator's campaign fund in September, the Senator from Texas examined as witnesses State employees who had made contributions. He would ask them, "Did you make a contribution of 10 percent of your salary for September?" "Yes." "Did you make that to Senator Overton's campaign?" "No", they would say, "for relief and for Governor Allen's deficit." In each case the witness had the information ready and available; the contribution was always for Allen's deficit and for relief, but in no case for Senator OVERTON'S, except once, when a man claimed that he was approached for that purpose. The amusing part of it was that witnesses all had the same tale to tell, and they told it very accurately and very quickly, according to what a lawyer who has been trained in the courts somewhat would understand to mean that they had been more or less schooled—not by the Senator necessarily—not to admit that they ever made any contributions to the Senator's campaign fund.

Mr. OVERTON. I infer the Senator means not only "not necessarily" but "not at all."

Mr. CONNALLY. I do not mean to reflect upon the Senator, but I did get the idea that the witnesses' testimony was of that character; that it looked as though they had been schooled and instructed to be sure and never testify that they had given anything to the Overton campaign.

Mr. OVERTON. The junior Senator from Texas will remember that I expressed the apprehension when, under the necessities of the situation, he was compelled to descend from his position as a judge upon the day that he undertook the examination of the committee's witnesses and the cross-examination of my own that he might unconsciously become so prejudiced in favor of his own work as to draw erroneous conclusions. If I may repeat, as to the character of examination to which the Senator refers, the witnesses who were put upon the stand were largely his own, and also many of those who were cross-examined were my witnesses, and the questions asked by the junior Senator from Texas were along this line, "Did you contribute to the welfare fund?" "Yes, sir." "Did you contribute to any other fund?" "Yes, sir." "What other fund?" "The Allen deficit." "Did you contribute to any other fund?" "Yes; I contributed to the Roosevelt fund." Those were the three political funds to which contributions were made; and the answers of witnesses were in response to direct interrogatories propounded by the junior Senator from Texas.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. VANDENBERG. Mr. President, it is perfectly obvious that we will not be able to return to executive session today for further consideration of the St. Lawrence Seaway Treaty. Under such circumstances I have not wanted the day to pass without a statement of what I believe to be treaty facts in respect to the major challenge lodged yesterday by the able senior Senator from Illinois [Mr. LEWIS], even though I must temporarily interrupt legislative business to make this statement. Such an important proposition is involved, and I think the statement is so completely at variance with the facts as I understand them, that I must crave the Senate's attention for a few moments to present the opposite thesis, so that they may travel together in their challenge to the country's attention.

Mr. President, unfortunately the RECORD this morning does not carry the transcription of the eloquent speech made by the able and distinguished senior Senator from Illinois. Therefore I cannot refer specifically to the RECORD; I can only refer to the newspaper reports, although the reports will be recognized as quite accurate by those who attended the debate yesterday. I content myself with identifying his theme as follows, reading the headline from the New York Herald Tribune of this morning:

> Waterway pact hit in the Senate as British war aid.

I will read one sentence:

> Senator JAMES HAMILTON LEWIS, Democrat, of Illinois, submitted the thought "that the St. Lawrence seaway project would provide a military avenue through the United States for Great Britain."

Mr. President, I must insist that the contention submitted by the able Senator from Illinois is without sustained justification. Since it is without this justification, I think it should not go to the country without the contrary demonstration that there is at least ground for challenge to it.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. VAN NUYS in the chair). Does the Senator from Michigan yield to the Senator from Utah?

Mr. VANDENBERG. I yield.

Mr. KING. If the Senator from Michigan intends to discuss the matter further, particularly in reference to the statement made by the Senator from Illinois, would he object to my sending for the Senator from Illinois? He is not now on the floor.

Mr. VANDENBERG. I may say to the Senator from Utah that I notified the Senator from Illinois that I would speak this afternoon, and I have informed him of the general nature of my rejoinder.

Mr. President, it is the contention of those who defend this treaty, it is the contention of the State Department, as it is also the contention of the President of the United States, that this treaty does not give Great Britain and Canada one additional contemporary navigation right in Lake Michigan or any of the other Great Lakes or their connecting waters. Under the treaty of 1909, which is now in existence and which has been honored continuously since that date, Great Britain and Canada have every right of navigation in Lake Michigan which they will obtain contemporarily under the pending St. Lawrence Seaway Treaty. It seems to me that that statement is incontrovertible. Here is the only change that occurs in the prospectus: At the present time this existing right under the treaty of 1909 is revocable by either nation upon 1 year's notice. Under the new treaty the right becomes irrevocable, and, of course, it is balanced by an irrevocable right to the United States to navigate the important Welland Canal. That right, I repeat, at present is revocable upon 1 year's notice. The only difference then in the status in respect to the rights of navigation in the Great Lakes is the single proposition that the right today is revocable upon 1 year's notice, and the right day after tomorrow, if the treaty is ratified, will be irrevocable.

Therefore if there is any menace from a British invasion under the conjured theory of the distinguished Senator from Illinois, that danger has existed continuously for 25 years and it exists today under the treaty of 1909, and it cannot be urged in logic that any new menace now should militate against the new treaty. If anybody thinks that the King can move on Chicago because of the pending treaty, he must admit that the King can move on Chicago under the existing treaty of 1909, and we must give the King a year's notice before the existing right can be denied.

That is not all. There is another treaty in existence. It has been in existence for more than a century. It is one of the most precious treaties in the entire portfolio of American diplomatic engagements. It is known as the "Rush-Bagot agreement of 1817", proclaimed by President James Monroe and Secretary of State John Quincy Adams on April 28, 1818. Under this contract, Mr. President, the Government of the United States and the Government of Canada, the latter speaking through the British Government itself, mutually agreed to a complete limitation of all naval armaments of every name and nature upon these inland waters. There has never been a moment since 1818 when that agreement has even been threatened with a violation. There has never been a moment in more than a century when the Canadian border has been other than a friendly, unarmed, unfortified dividing line between two good neighbors. I cannot conceive how, under the terms of the treaty of 1818, anyone can now conjecture any such threat as that which was submitted to the Senate upon yesterday as a reason for the defeat of the pending St. Lawrence Seaway Treaty. There is no such menace. There can be no such jeopardy. It is denied by the letter of our mutual engagements. It is denied by the mutual spirit of our peoples. It is denied by realism and common sense. I submit these observations with the greatest respect for my distinguished friend from Illinois.

If it be said in a final burst of the imagination that in the event of unthinkable war between England or Canada and the United States the treaties will become scraps of paper, then let it be said as a practical fact that when this project has been completed the locks in the canal opposite Barnhart Island in the international section are all under American sovereignty. Let it be said, too, that two thirds of the channel of the international section equally is exclusively under the American flag; and if in the untoward event that these treaties would be torn up in such an unthinkable conflict, the absolute physical control of the situation rests exclusively in the hands of the Government of the United States. Then, as is usual in war, the stronger force will prevail, regardless of what we may do in respect to the pending project.

I wanted to submit that exhibit promptly lest the country should proceed to groundless fears upon the basis of what I conceive to be a misconception affecting the purport of the pending engagement.

Just one other exhibit. Another of the favorite attacks upon the pending treaty and the pending project is the constant persistent implication that the estimates of the Board of Rivers and Harbors Engineers in the War Department are undependable, and that instead of a St. Lawrence project costing approximately $540,000,000 we shall confront a project running into the billions. In the course of the debate yesterday I casually submitted an exhibit upon that point. Because of the fact that the observations of the Senator from Illinois have been withheld from the RECORD until later—I say it not complainingly, because it is frequently and appropriately done—the telegram from Col. Hugh L. Cooper is not yet officially in the RECORD. Colonel Cooper is one of the great engineers of this world. He is fresh from a great hydroelectric development in Russia. He has been quoted time and time and time again as a favorite authority of the critics and foes of the pending treaty, quoted as their favorite authority to demonstrate that the figures of the War Department engineers are unreliable, because Colonel Cooper at some time has said that a St. Lawrence project would cost well in excess of $1,000,000,000. Let us test the substance of these complaints. Let the decisive witness be this allegedly adverse expert himself.

Mr. President, I could not believe that engineering is such an unexact science that reputable engineers could so far disagree as Colonel Cooper and General Markham, of the War Department, appear upon the surface to disagree if they were talking about the same project. I undertook to telegraph Colonel Cooper upon last Monday and I asked him the question whether his estimates were based upon the same project as that upon which General Markham's figures were based. Colonel Cooper responded very frankly, very conclusively, and, I submit, in a fashion which should end this particular misconception for keeps. I quote the telegram from Colonel Cooper:

> Answering your telegram regarding alleged differences between my estimated cost of St. Lawrence project and War Department estimates, my estimate of $1,450,000,000 made in December 1920 after several years of intensive field and office study included cost of developing 6,600,000 horsepower between Lake Erie and Montreal, whereas the War Department estimate you probably refer to takes in only the two-stage power development aggregating 2,200,000 horsepower in the International Rapids division of the St. Lawrence River.

Thus we discover, in the first place, that Colonel Cooper's figures are 14 years old and are in no sense the up-to-date information for which the foes of the treaty constantly plead. But that is secondary. Here is the vital and conclusive thing.

We have Colonel Cooper's own testimony that this gargantuan estimate of nearly $1,500,000,000, which has so often been flung prejudicially against the St. Lawrence seaway project, is an estimate upon a project which is three times as big as the project actually before the Senate. It is no wonder that the figures therefore are three times as large as those submitted by the War Department and by Colonel Markham. I hope that will end perpetually the use of Colonel Cooper's figures against the treaty now pending. It might even serve as a wholesome warning against too much credulity in accepting other data urged against the official recommendations of the authorities of the Government of the United States.

I submit this further exhibit upon this essential point, because it is essential that we should know that we can proceed within the estimates. I submitted to General Markham himself on yesterday the challenge as to whether or not he can defend his record as an estimator of these great projects. I am answered by General Markham under date of January 16 in a powerful letter, from which I quote:

For a long period of years this Department—

He is speaking for the office of the Chief of Engineers of the War Department—

For a long period of years this Department has been charged by Congress with the duty of reporting on the cost and advisability of proposed improvements of rivers and harbors. Under its long-established policy these estimates are especially scrutinized to insure that they are safe—

Let me repeat that:

Under its long-established policy these estimates are especially scrutinized to insure that they are safe, are based on conditions to be anticipated for some years after the report, and contain reasonable provisions for adverse conditions.

Now listen:

The Department considers it preferable to make estimates positively safe and later to report to Congress a saving under the estimate after the completion of the project rather than to make the estimate too small and to later be obliged to submit further estimated funds after the full amount has been allotted.

I submit to the Senate that this is a sound basis of engineering practice, and that it invites the continuing confidence of this Senate.

I continue General Markham's letter:

I have had an examination made of 43 projects adopted by Congress in recent years in which the project has been carried out without subsequent modification in accordance with the project estimated in the report. The aggregate estimated cost of these is $56,332,745. The actual cost of completing the works was $53,554,284.

In other words, upon 43 major projects the estimates of the War Department, upon which we depend in respect to the St. Lawrence project, proved to be $3,000,000 more than the actual bids which subsequently were received under which the work was completed. The official estimates were on the safe side. I believe they continue to be on the safe side in respect to the seaway project.

I continue the reading:

Some of the major projects included in the list—

To which I have just referred—

are the improvement for deep-draft shipping of the channel in New York Harbor lying between Staten Island and the New Jersey shore, and known as the "New York and New Jersey Channels". The estimate made in February 1920 was $10,400,000. The work was completed in 1932 at a cost of $9,696,487.

In other words, the work was done for about a million dollars less than the estimate submitted by the engineers—the engineers whom we have summoned to justify the figures that we submit as dependable and reliable in respect to the pending project.

I continue the letter:

The section of the Louisiana-Texas Intracoastal Waterway extending from New Orleans to the Sabine River was estimated in 1924 to cost $9,552,000. It is being completed at a cost of $7,418,440.

In other words, in this major project these engineers upon whom we depend for our figures in defense of the pending treaty were $2,000,000 higher than the actual cost of the job when it came to be done. I submit that engineers with a record of that character are reliable witnesses, and are not to be controverted lightly by their colleagues in the Government of the United States.

I continue the letter:

I have also selected a list of 31 projects recently adopted by the Public Works Administration for which contracts for the entire completion of the project have already been entered into. The estimated cost of these projects made between 1930 and 1933 aggregated $16,973,600. Notwithstanding the provisions under which these works are being carried out with limited hours of labor, and with prescribed minimum wages to afford with the hours of labor as limited a standard of living in decency and comfort, and notwithstanding also the uncertainties of costs incident to the administration of the National Recovery Act; these works will be completed at a cost, including all costs of supervision and administration, of $18,355,368, or but 8 percent in excess of the estimates.

Here is the final paragraph in General Markham's letter; and it is particularly pertinent because we have been told, time and time again that the War Department engineers erred in respect to their figures on the Panama Canal. Indeed, this has been a favorite theme with those who strive to weaken the St. Lawrence case. I read:

Possibly the most outstanding example of the reliability of estimates prepared by the officers of this Department is that of the Panama Canal.

General Markham apparently is quite ready to meet his critics upon their own favorite ground.

I continue to read:

When the final designs for this canal with increased dimensions for locks and with the widening of the channel through the Culebra Cut were adopted in 1908, Colonel Goethals, in charge of the construction, had an estimate prepared of the cost of the canal. The amount of this estimate was—

Listen:

The amount of this estimate was $375,201,000.

There is a sizable project to be bracketed with the matter now pending in the Senate. Indeed, the adventure now seeking the Senate's approval is the greatest adventure since a former Roosevelt bisected Panama. Those who opposed the former would have opposed the latter on kindred grounds. But none would now wish that the Panama Canal had not been built.

What was the estimate of the engineers? $375,000,000. What did the Canal cost? I read continuingly from General Markham:

On June 30, 1918, after the Canal was opened and in permanent operation, the actual cost was $372,391,853.92.

In other words, the Panama Canal was built at a cost of about $3,000,000 less than the estimates of these engineers whom we summon as the experts upon whom we ask the country to rely in respect to the great St. Lawrence project.

So, Mr. President, I submit that upon these two scores the record is almost beyond controversion:

First, that the cost figures are reliable, and that the cost figures quoted in opposition to the War Department figures usually relate to a totally different type of project.

Second, that there is in fact no menace of the nature referred to by the able Senator from Illinois [Mr. LEWIS] in respect to a foreign and an alien jeopardy as a result of this further opening of the Great Lakes to the ocean; and, frankly, I wonder if my able friend from Illinois really thinks that the President of the United States and the State Department have been as duped in connection with these negotiations as his conclusions might indicate.

I have taken this immediate opportunity to complete the record so far as it has gone, because it is my profound conviction that this project, precisely as argued by the President of the United States in his own inimitable message, can meet its critics upon every ground and win the argument.

RECESS

Mr. ROBINSON of Arkansas. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The PRESIDING OFFICER (Mr. BACHMAN in the chair). The question is on the motion of the Senator from Arkansas.

The motion was agreed to; and (at 4 o'clock and 33 minutes p.m.) the Senate, in legislative session, took a recess until tomorrow, Wednesday, January 17, 1934, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate January 16 (legislative day of Jan. 11), 1934

UNITED STATES ATTORNEY

Lawrence S. Camp, of Georgia, to be United States attorney, northern district of Georgia, to succeed Clint W. Hager, resigned.

UNITED STATES MARSHALS

Kingsbury B. Piper, of Maine, to be United States marshal, district of Maine, to succeed Burton Smith, appointed by court.

John T. Summerville, of Oregon, to be United States marshal, district of Oregon, to succeed John L. Day, whose term expires January 22, 1934.

CONFIRMATIONS

Executive nominations confirmed by the Senate January 16 (legislative day of Jan. 11), 1934

ASSISTANT SOLICITOR GENERAL

Angus D. MacLean to be Assistant Solicitor General.

UNITED STATES ATTORNEYS

Leslie C. Garnett to be United States attorney, District of Columbia.

George F. Sullivan to be United States attorney, district of Minnesota.

Robert M. Bourdeaux to be United States attorney, southern district of Mississippi.

A. Cecil Snyder to be United States attorney, district of Puerto Rico.

Daniel B. Shields to be United States attorney, district of Utah.

Sterling Hutcheson to be United States attorney, eastern district of Virginia.

Joseph H. Chitwood to be United States attorney, western district of Virginia.

George I. Neal to be United States attorney, southern district of West Virginia.

UNITED STATES MARSHALS

August Klecka to be United States marshal, district of Maryland.

Kinloch Owen to be United States marshal, northern district of Mississippi.

Robert Lee Simpson to be United States marshal, southern district of Mississippi.

Zeb Ray to be United States marshal, district of Nevada.

Ford S. Worthy to be United States marshal, eastern district of North Carolina.

Charles R. Price to be United States marshal, western district of North Carolina.

Gilbert Mecham to be United States marshal, district of Utah.

Robert L. Ailworth to be United States marshal, eastern district of Virginia.

John White Stuart to be United States marshal, western district of Virginia.

COMMISSIONER OF LABOR STATISTICS

Isador Lubin to be Commissioner of Labor Statistics.

VICE GOVERNOR OF PHILIPPINE ISLANDS

Joseph Ralston Hayden to be Vice Governor of Philippine Islands.

PRODUCTION CREDIT COMMISSIONER

Sterling Marion Garwood to be Production Credit Commissioner, Farm Credit Administration.

SUPERVISING INSPECTOR, BUREAU OF NAVIGATION AND STEAMBOAT INSPECTION

Francis William J. Buchner to be supervising inspector, Bureau of Navigation and Steamboat Inspection.

COLLECTOR OF INTERNAL REVENUE

Homer M. Adkins to be collector of internal revenue, district of Arkansas.

PROMOTIONS IN THE COAST GUARD

To be lieutenant commanders

Niels S. Haugen
Harold S. Berdine
John McCann

To be lieutenants

Edward W. Holtz
Charles L. Duke
Herbert F. Walsh
Edwin J. Roland
Peter V. Colmar
George H. Bowerman
Allen Winbeck
William B. Chiswell
Oliver A. Peterson
Marius De Martino
Charles M. Perrott
Stanley F. Piekos
Carl G. Bowman
Lowell C. Gibson
James C. Wendland
Perry S. Lyons
Richard M. Ross
John A. Dirks
Harry A. Loughlin
Henry J. Wuensch
George W. Nelson
William P. Hawley
Hans F. Slade
John N. Zeller
Romeo J. Borromey
Donald B. MacDiarmid
Garrett Van A. Graves
William B. Scheibel
Brat H. Brallier
George H. Miller
John W. Malen
Petros D. Mills
Gordon P. McGowan
Donald D. Hesler
Marvin T. Braswell
Kenneth S. Davis

To be lieutenants (junior grade)

William Schissler
William E. Sinton
George A. Knudsen
Carl U. Peterson
John R. Stewart
John S. Cole
Arthur J. Hesford
Joseph D. Harrington
Sidney F. Porter
Charles E. Toft
William L. Maloney
William L. Clemmer
Ralph R. Curry
Harold J. Doebler
Edmund E. Fahey
Kenneth C. Phillips
George C. Lindauer
Spencer F. Hewins
Clifford R. MacLean
Henry F. Stolfi
John F. Harding
True G. Miller
Herman T. Diehl
Leonard T. Jones
Henry F. Garcia
Searcy J. Lowrey
Samuel L. Denty
Peery L. Stinson
Henry St. Clair Sharp

To be constructor

Frederick A. Hunnewell

HOUSE OF REPRESENTATIVES

TUESDAY, JANUARY 16, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Almighty God, Thou who art eternally true, wise, and merciful, from our hearts may there break the prayer of gratitude and entreaty. We thank Thee that Thou art the source of courage, the replenishment of strength, and the inspiration of the common order. Be Thou the inbreak into the labor of this day and keep all burdened ones from the coils of weariness. Enable us to marshal ourselves to forms of everlasting usefulness for the sake of the Republic. God bless our native land and let the harmonies of free intelligence and concordant raptures of loyalty, fidelity, and patriotism be heard in all sections and everywhere. In the name of the Christ, our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J.Res. 228. Joint resolution to provide for certain expenses incident to the second session of the Seventy-third Congress.

INTERIOR DEPARTMENT APPROPRIATION BILL

Mr. TAYLOR of Colorado, from the Committee on Appropriations, submitted a privileged report on the bill (H.R. 6951) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1935, and for other purposes (Report No. 288), which was read the first and second time and, with the accompanying report, referred to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. LAMBERTSON reserved all points of order on the bill.